



**BOARD OF COUNTY COMMISSIONERS
OFFICE OF THE COMMISSION AUDITOR**

MEMORANDUM

TO: Honorable Chairwoman Rebeca Sosa
and Members, Board of County Commissioners

FROM: Charles Anderson, CPA
Commission Auditor

A handwritten signature in black ink, appearing to read "Charles Anderson", is written over the printed name.

DATE: March 26, 2014

SUBJECT: Audit of Debt Collection Processes – Miami-Dade County

We have concluded our Audit of Miami-Dade County Debt Collection Processes and submit this report which contains findings, recommendations, and management responses. Management substantially concurred with our findings and recommendations.

We thank the staff of the following departments for their cooperation and input throughout the audit: Animal Services (ASD), Aviation (MDAD), Corrections and Rehabilitation (MDCR), Finance (FIN), Fire Rescue (MDFR), Information Technology (ITD), Internal Services (ISD), Library System (Library), Parks, Recreation and Open Spaces (PROS), Police (MDPD), Port of Miami (POM), Public Housing and Community Development (PHCD), Public Works and Waste Management (PWWM), Regulatory and Economic Resources (RER), Transit (MDT), and Water and Sewer (WASD).

If you have any questions or need additional information, please contact me at (305) 375-2524.

c: Mayor Carlos Gimenez, County Mayor
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Lisa Martinez, Chief of Staff
Russell Benford, Deputy Mayor
Alina Hudak, Deputy Mayor/Interim Director, Public Works & Waste Management Department
Chip Iglesias, Deputy Mayor
Edward Marquez, Deputy Mayor/Finance Director
Jack Osterholt, Deputy Mayor/ Director, Regulatory and Economic Resources Department
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MIAMI-DADE COUNTY BOARD OF COUNTY COMMISSIONERS

OFFICE OF THE COMMISSION AUDITOR

AUDIT OF DEBT COLLECTION PROCESSES

Project Number 11-143371

March 26, 2014

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Commission Auditor**

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TABLE OF CONTENTS

I.	Objective and Scope.....	1
II.	Methodology	1
III.	Background	4
IV.	Summary Results	9
	A. Accounts Receivable (AR) excluding Citations	9
	B. Citations	9
V.	Findings and Recommendations.....	9
	A. Accounts Receivable (AR) excluding Citations	9
	Finding 1. Non-compliance with Implementing Order 3-9	9
	1.1. County departments do not send all of their delinquent AR to FDCCS as required by IO 3-9.....	9
	1.2. County departments do not have departmental policies and procedures regarding collection of AR as required by IO 3-9.	11
	1.3. MDCR did not have an aging of AR as required by IO 3-9.	12
	Recommendation 1.1.	13
	Management Responses.....	13
	Recommendation 1.2.	16
	Management Responses.....	16
	Recommendation 1.3.	17
	Management Response	17
	Finding 2. Departments did not track subsequent collections on amounts adjusted on September 1, 2011 as directed by the BCC	18
	Recommendation 2.	19
	Management Responses.....	19
	Finding 3. FDCCS incentives require improvement	20
	Recommendation 3.	21
	Management Response	21
	B. Citations	22
	Finding 4. Code enforcement citations are not being actively collected	22
	Recommendation 4.	26
	Management Responses.....	26

I. OBJECTIVE AND SCOPE

As part of the CY 2011 Supplement to the Commission Auditor's Work Plan approved by the Miami-Dade County Board of County Commissioners (BCC), the Office of the Commission Auditor (OCA) conducted an Audit of Debt Collection Processes. The objective of the audit was to provide reasonable assurance of the efficiency and effectiveness of the debt collection processes within the County.

The audit involved examining the County's debt collections processes from September 1, 2011 through August 3, 2013 against the criteria established by the requirements of *Implementing Order No.: 3-9 Accounts Receivable Adjustments* (IO 3-9) and *Administrative Order No.: 2-5 Code Enforcement* (AO 2-5). We also examined the procedures performed at the Finance Department Credit and Collections Section (FDCCS) against the criteria established by the requirements of the *Credit and Collection Collector's Manual* (CCCM) of the FDCCS. In addition, when deemed necessary we interviewed staff and reviewed pertinent records about activities before September 1, 2011 and after August 3, 2013.

All County departments under the purview of the Mayor were initially included in the audit. Some departments were later excluded after reviewing departmental responses, which indicated the scope of the audit did not apply to these departments (as indicated in II.A).

II. METHODOLOGY

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

A. Audit Scope Procedures

As part of the procedures performed to determine which departments to include in the audit scope, we asked all County departments under the purview of the Mayor whether they generated external accounts receivable (AR). External AR, in their varied forms, arise out of the County's interaction with customers, persons or entities not part of our organization. We also requested an AR contact person.

Based on the departmental responses received to the above request, which included written correspondence and clarifying conversations, we excluded from the scope of our audit:

1. Departments that did not generate external AR, generate only internal AR, or no AR at all;
2. Departments that did not perform debt collections procedures because another department collected their AR, (i.e. Miami-Dade County Animal Services Department (ASD) where the Clerk of Courts collects their citations and FDCCS collects delinquent accounts);
3. Departments that had insignificant amounts of AR, with no collections or delinquency issues.

Based on these responses, Table I below details Miami-Dade County departments that were included and excluded from detailed examination in our scope.

Table I

Miami-Dade County departments included and excluded from the scope of the audit

County departments that were included	County departments that were excluded
<ul style="list-style-type: none"> - Aviation (MDAD) - Corrections & Rehabilitation (MDCR) - Fire Rescue (MDFR) - Information Technology (IT) - Internal Services (ISD) - Library - Parks, Recreation & Open Spaces (PROS) - Police (MDPD) - Port of Miami (POM) - Permitting, Environment & Regulatory Affairs (PERA)¹ - Public Housing & Community Development (PHCD) - Public Works & Waste Management (PWWM) - Sustainability, Planning & Economic Enhancement (SPEE)² - Transit (MDT) - Water & Sewer (WASD) 	<ul style="list-style-type: none"> - Animal Services (ASD) - Audit & Management Services (AMS) - Community Action & Human Services (CAHS) - Community Information & Outreach (CIAO) - Cultural Affairs (DoCA) - Elections (Elections) - Finance (FIN) - Juvenile Services (JSD) - Medical Examiner (ME) - Office of Management & Budget (OMB)

For all departments that were selected, we examined the debt collections processes currently performed against the criteria established by the requirements of IO 3-9 and AO 2-5.

B. Implementing Order No.: 3-9 Accounts Receivable Adjustments (IO 3-9)

As part of the procedures performed to review compliance with IO 3-9, OCA requested all County departments that were selected to provide the following:

1. A summary of the department's most recent AR categories currently aged (aging).
2. Written departmental policies and procedures regarding collection of accounts receivable in conformity with IO 3-9.
3. A statement regarding the department's timeline for complying with the transfer of delinquent accounts to FDCCS as required by IO 3-9, and a signed Memorandum of Understanding (MOU), if available. FDCCS executes MOUs with the departments to delineate clearly the scope of work, fees, settlement

¹ During our audit, both SPEE and PERA were separate departments that merged into the Regulatory and Economic Resources (RER) Department on May 15, 2012.

² Same as above.

authorities, and whether FDCCS is to pursue debts further in court or by outside agencies or attorneys.

4. An analysis of the department's allowance for doubtful accounts, if maintained by the department, or a statement that such analysis is maintained by the Finance Department.
5. A detailed Table of Organization (TO) of the department's AR function, including employee names and classifications.
6. Job descriptions of all departmental employees involved in the AR function.
7. A tracking of the total debt of \$37,858,233 that was adjusted/written off at the September 1, 2011 BCC meeting to determine the amount that was able to be rescued (recovered) as part of the collections efforts. The departments/agencies that had debt adjusted on September 1, 2011 were MDAD, POM, PWWM, WASD (non-retail), WASD (retail), CAHS, PHCD, ASD, MDFR, Library, PROS, MDPD, and Vizcaya.
8. Credit extension policies, if applicable to the department.

C. Administrative Order No.: 2-5 Code Enforcement (AO 2-5)

As part of the procedures performed to review compliance with AO 2-5, OCA provided all selected County departments with a report entitled *Miami-Dade County - Code Enforcement - County Clerk Division - Aging Of Unpaid Citations*, dated March 22, 2012, and asked the departments to provide OCA with the following information for each of the Citation/Fines/Penalty classes that were within the department's purview:

1. The amount the department considered collectible, based on history of collection, in percentage terms.
2. A statement regarding the collection procedures that were in place to collect the delinquent amounts.

D. Finance Department Credit and Collections Section (FDCCS)

Since FDCCS is the core of the County's collection efforts under IO 3-9, we emphasized understanding in detail its operations, capabilities, and issues. In regards to the FDCCS, we performed the following procedures:

1. Obtained a detailed TO of the FDCCS, including employee names and classifications.
2. Obtained job descriptions for all employees in the FDCCS.
3. Obtained a flowchart of the FDCCS workflow.
4. Obtained a copy of the MOU governing FDCCS employee gainsharing distributions and eligibility.
5. Obtained and examined in detail the CCCM of the FDCCS. As part of the procedures to review compliance with the CCCM of the FDCCS, OCA:
 - a) Interviewed individually 23 of the 28 staff members of the FDCCS, including the Acting Manager in charge of the FDCCS, and her supervisor. Interviews

with staff were conducted under closed doors to preserve the confidentiality of the procedures, and ranged from a few minutes in duration to several hours.

- b) Asked a series of questions during the interviews, which varied from position to position, designed to evaluate compliance with established policies and procedures, including whether staff had read and been trained on the CCCM. We discussed the job descriptions provided and compared them with the actuality of the daily functions performed. We also asked questions regarding the existence of any issues affecting the workflow and suggestions to improve the collection processes.

III. BACKGROUND

A. Accounts Receivable (AR) excluding Citations

Accounts receivable (AR) are defined as a claim against a debtor, such as a person, business, or governmental entity for money owed, and for which claims are expected to be collected within a year. Receivables include, but are not limited to, monies due by taxpayers, other governments, vendors, beneficiaries, employees, customers, patients, tenants, carriers, concessionaires, and others for the performance of services, the delivery of goods, the rental of facilities and transport fees, among others.

Generally Accepted Accounting Principles (GAAP) require AR to be evaluated as to their collectivity in order to prevent distortion of the financial statement balances.³ Under the allowance method, which establishes a contra-asset account called “the allowance for uncollectible accounts,” an amount is regularly reserved and charged to the allowance, either by reviewing each individual debt and deciding whether it is doubtful (a specific provision), or by providing for a fixed percentage (a general provision). These accounting entries have the effect of reducing the financial statement balance for AR to the net realizable value as required by GAAP. Net realizable value is defined as gross AR net of the allowance for uncollectible amounts.

A write-off (adjustment) is an accounting entry to remove a specific amount from the AR records. A write-off (adjustment) does not preclude continuing collection efforts; amounts written off are still legally due to the County.

³ *Governmental Accounting Standards Board Statement No. 62 (GASB 62) ¶133* “Asset valuation allowances for losses, such as those on receivables, should be deducted from the assets or groups of assets to which the allowances relate, with appropriate disclosure.”

Table II below details Miami-Dade County's total AR as of September 30, 2012⁴:

Table II
Disaggregation of Accounts Receivable for the Fiscal Year Ended September 30, 2012

	Accounts	Allowance for Uncollectible Accounts	Total Net Receivables
<u>Governmental activities:</u>			
General Fund	\$24,717,000	\$(586,000)	\$24,131,000
Internal Service Fund	2,159,000		2,159,000
<u>Other Governmental Funds</u>	165,432,000	(135,153,000)	30,279,000
Total - governmental activities	\$192,308,000	\$(135,739,000)	\$56,569,000
<u>Business-type activities:</u>			
Public Health Trust	\$686,428,000	\$(525,109,000)	\$161,319,000
Water and Sewer Department	120,874,000	(17,606,000)	103,268,000
Aviation Department	62,956,000	(13,907,000)	49,049,000
Miami-Dade Transit	2,993,000		2,993,000
Seaport Department	11,150,000	(2,970,000)	8,180,000
Solid Waste Department	15,907,000	(186,000)	15,721,000
<u>Other non-major proprietary</u>	952,000		952,000
Total - business-type activities	\$901,260,000	\$(559,778,000)	\$341,482,000

Source: *Miami-Dade County Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended September 30, 2012, Note 6 – Disaggregation of Accounts Receivable and Accounts Payable Balances*, page 79.

B. Citations

The AR balances presented in the CAFR do not include uncollected citations. Uncollected citations arising out of code enforcement efforts are one of the many types of AR in Miami-Dade County. According to a report entitled *Miami-Dade County - Code Enforcement - County Clerk Division - Aging Of Unpaid Citations*, dated August 3, 2013, there were 340,889 unpaid citations in the County with an original penalty balance of \$58,255,444 and accrued penalties, costs, surcharges and lien balances of \$434,515,110 for a total unpaid amount of \$492,770,554 as of August 3, 2013 (Table V on page 23). Exhibit I on page 28, is a detailed aging breakdown of unpaid citations, accrued penalties, costs and lien balances as of August 3, 2013.

According to the *Governmental Accounting Standards Board Statement No. 33 Accounting and Financial Reporting for Nonexchange Transactions* (GASB 33), fines and citations are classified as imposed nonexchange revenues, which result from assessments imposed on nongovernmental entities, including individuals. A nonexchange transaction is one where a government gives (or receives) value without directly receiving (or giving) equal value in return. The central issue in GASB 33 is the

⁴ Source: *Miami-Dade County Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended September 30, 2012, Note 6 – Disaggregation of Accounts Receivable and Accounts Payable Balances*, page 79.

timing of recognition of nonexchange transactions: when to recognize assets, liabilities, revenues, and expenses or expenditures in the financial statements.

It can be difficult to measure the revenue that will be obtained from the imposition of fines until the fine is collected. According to GASB 33, assets arising from imposed nonexchange revenues (fines and citations) are recognized as AR when the government has an enforceable legal claim to the resources, or as cash when the resources are received, whichever is first.⁵ Undisputed uncollected citations are recognized as AR when the statutory time allowed for dispute lapses. Disputed uncollected citations are recognized as AR when the appropriate legal authority rules that the citation is valid. Legal enforceability generally occurs when the parties pay their fines, when the statutory time allowed for dispute lapses, or, if disputed, when a court later rules that the fine is enforceable.⁶ The recognition of the asset (AR or cash) applies to both the accrual and modified accrual bases of accounting.⁷ Revenues should be recognized at the same time as the assets in the accrual basis, and at the same time as the assets subject to availability criterion in the modified accrual basis.⁸

Based on collectability experience, among other reasons⁹, County management concluded that the net realizable value amount of uncollected citations that are probable of collection, might not be material enough to the County's financial statements to require the application of the provisions of GASB 33 related to the recording of AR for imposed nonexchange revenues (uncollected fines and citations). The reasons we were given by management for not recording uncollected citations as AR in the CAFR were due to 1) materiality considerations applied on a year-to-year basis after deducting uncollectible amounts; 2) the difficulties involved in the tracking process to recognize revenue on the modified accrual basis; and 3) the fact that the external auditor has never had an issue with this practice. Other large counties surveyed by OCA (including Palm Beach County, Florida and Los Angeles County, California) follow the same practice as Miami-Dade County of not recording uncollected fines and citations as AR in their CAFRs.

Since uncollected citations are currently not recorded as AR in the County's financial statements and unrecorded accounts cannot be written off, uncollected citations are not subject to the provisions of IO 3-9 related to adjustments of AR. However, this does not preclude the transfer of all delinquent accounts, including uncollected citations, to be collected by FDCCS as mandated by IO 3-9.

⁵ *Governmental Accounting Standards Board Statement No. 33 Accounting and Financial Reporting for Nonexchange Transactions* (GASB 33), Summary, page v and ¶17 page 9.

⁶ *GASB Comprehensive Implementation Guide as of June 30, 2008* Chapter Z page Z-7 Z.33.10.

⁷ *AICPA State and Local Governments Audit and Accounting Guide as of March 1, 2008* AAG-SLV 6.17 Table 6-1.

⁸ *Ibid.*, AAG-SLV 6.17 Table 6-1 and AAG-SLV 6.39.

⁹ All departments issuing citations (excluding ASD) collected an average of \$6 million a year in citations in approximately nine years. See Finding 4 on page 22.

C. Implementing Order No.: 3-9 Accounts Receivable Adjustments (IO 3-9)

Resolution R-656-11 (adopted September 1, 2011) rescinded *Administrative Order No.: 3-9 Write-Off Accounts Receivable Arising from User Charges* (effective April 19, 1983) and replaced it with *Implementing Order No.: IO 3-9 Accounts Receivable Adjustments* (IO 3-9) (effective September 14, 2011).

Procedures outlining the different departmental responsibilities in the administration and collection of AR, the actions required to adjust/write off uncollectible AR, and enhanced collection procedures to ensure uniform, consistent attempts to recover delinquent AR are contained in IO 3-9. IO 3-9 provides in part:

- *Primary responsibility for collection of accounts receivable rests with the department or agency under which the receivable or claim originated. This responsibility includes the development and updating of departmental policies and procedures to ensure the timely collection of debt, and the ongoing analysis of the collectability of associated accounts receivable pursuant to this Implementing Order.*
- *A department shall declare an account “past due” if not paid within thirty (30) days of the due date. If not paid within ninety (90) days of the due date, the account shall be considered “delinquent.” Department directors shall forward “delinquent” accounts receivable to the Credit and Collection Section of the Finance Department.*
- *Each department director or designee must ascertain that their respective internal accounting control system can accommodate a subsidiary accounts receivable ledger that is reconcilable to the County’s General Ledger System, and which can monitor changes in customer accounts on a monthly basis, including an aging thereof.*
- *The adjustments of accounts receivable of a customer account does not preclude continuing collection efforts, to the extent deemed practicable under the circumstances and considering the nature and value of services provided by the County.*

D. Administrative Order No.: 2-5 Code Enforcement (AO 2-5)

Resolution R-877-00 (adopted July 25, 2000) superseded and amended *Administrative Order No.: 2-5 Code Enforcement* (effective June 4, 1999) and replaced it with *Administrative Order No.: 2-5 Code Enforcement* (AO 2-5) (effective August 4, 2000).

Procedures outlining the different responsibilities, and the steps to follow in the issuance and collection of citations, are contained in AO 2-5. AO 2-5 provides in part:

- *It shall be the policy of Miami-Dade County to foster compliance with the ordinances passed by the Board of County Commissioners, as embodied in the Code of Miami-Dade County by encouraging its Code Inspectors to utilize available enforcement mechanisms, including the issuance of Uniform Civil*

Violation Notices (“CVNs”), to attain this goal. It shall also be the policy of Miami-Dade County to recover enforcement fines levied, administrative hearing and enforcement costs incurred by the departments involved in code enforcement activities, and accrued interest by utilizing administrative settlement and lien procedures.

- *Whenever a violator has corrected a violation but failed to pay the civil penalty, or has failed to correct the violation and pay the civil penalty, or has paid the civil penalty but failed to correct the violation, the departments shall notify the violator of Miami-Dade County’s intent to file a lien against the violator’s real or personal property. The Notice of Intent to Lien shall offer the violator an opportunity within a specified time period to avoid placement of the lien by executing a settlement agreement which provides for correction of the violation, payment of the original amount of the CVN, payment of continuing penalties, payment of administrative hearing costs where applicable, payment of all enforcement costs incurred by the department and accrued interest.*
- *A lien shall be placed on a violator’s real or personal property except as provided for herein, if the violator does not respond within the prescribed time period to the Notice of Intent to Lien by correcting the violations and paying all penalties, costs and interest due or executing a settlement agreement and complying with said agreement.*
- *For any lien placed against real property pursuant to Chapter 8CC or other provisions of the Code which remains unsatisfied one year from the date of recordation of the lien, the departments shall notify the Office of the County Attorney and request mailing of a Notice of Intent to Foreclose. It shall be the responsibility of the County Attorney to initiate foreclosure actions in Circuit Court on non-homestead properties where foreclosure of the property is in the best interest of Miami-Dade County.*
- *The department may initiate collection proceedings including, but not limited to, referral to collection agencies and filing of civil suits as warranted in an effort to recover monies owed Miami-Dade County resulting from the issuance of CVNs.*

E. Finance Department Credit and Collections Section (FDCCS)

FDCCS is under the purview of the Tax Collector’s Division and, at the time of our audit, had 17 experienced collectors, of which five (5) had paralegal capabilities. FDCCS makes every possible effort to contact debtors, and has well established debt collection techniques and systems that are used to maximize collections, as outlined in the *Credit and Collection Collector’s Manual (CCCM)* of the FDCCS. FDCCS collects on products and services ranging from unpaid bills for services, citations, bad checks, overpayments to vendors or employees, and more. In order to measure progress, FDCCS posts the collector’s efforts (contacts made, promises received, and amounts collected) on a centralized projection screen, thus making their performance benchmarked and transparent.

IV. SUMMARY RESULTS

A. Accounts Receivable (AR) excluding Citations

- County departments selected were not in compliance with IO 3-9 because these departments do not send all of their delinquent AR to FDCCS as required by IO 3-9 (See Table I on page 2 for departments selected). Six (6) departments lack policies and procedures regarding collection of AR which should already reflect the requirements of IO 3-9. One (1) department lacks an AR aging.
- At the September 1, 2011 BCC meeting, various departments requested AR adjustments (write-offs) totaling \$37,858,233. The BCC asked the Administration to track this debt and provide within six (6) months their subsequent collection efforts and amounts recovered. Except for ASD, MDAD, MDRF, MDPD, PHCD, POM, PROS, PWWM, WASD, and Vizcaya, no information was available.
- Capping incentives for the employees of FDCCS reduces the motivation to collect once the ceilings are reached, thus reducing potential maximum effectiveness at the FDCCS.

B. Citations

- Except for SPEE (now part of RER) and ASD's citations, which are collected by FDCCS, code enforcement citations were not being actively collected by selected County departments. Proactive, systematic collection efforts, as those routinely performed at FDCCS, were not being followed by these departments.

V. FINDINGS AND RECOMMENDATIONS

A. Accounts Receivable (AR) excluding Citations

Finding 1. Non-compliance with Implementing Order 3-9.

1.1. County departments do not send all of their delinquent AR to FDCCS as required by IO 3-9.

County departments selected did not comply with IO 3-9 because these departments do not send all of their delinquent AR to FDCCS as required by IO 3-9.¹⁰ (See Table I on page 2 for departments selected).

¹⁰ SPEE was deemed in compliance with IO 3-9; however, SPEE and PERA merged into the Regulatory and Economic Resources (RER) Department on May 15, 2012. As of that date, there were no selected departments that were in compliance with IO 3-9.

IO 3-9 states that,

A department shall declare an account “past due” if not paid within thirty (30) days of the due date. If not paid within ninety (90) days of the due date, the account shall be considered “delinquent.” Department directors shall forward “delinquent” accounts receivable to the Credit and Collection Section of the Finance Department.

Various departments send delinquent accounts to FDCCS at different points in time, usually when the accounts are very old and departments have exhausted their collection efforts. This is done arbitrarily and without following any established criteria or consistency, in violation of the requirements of IO 3-9. At the time of our audit, FDCCS had MOUs with ASD, PHCD, PWWM, SPEE, POM, and MDFR.

The following are some of the reasons we were given by departments for not sending all of their delinquent AR to FDCCS as required by IO 3-9:

1. MDAD’s Departmental Standard Operating Procedure (DSOP) No. 12-04 does not provide for transfer of AR to FDCCS at 90 days. DSOP No. 12-04 was developed “to aid in the collection efforts of accounts receivable due the Aviation Department that are in excess of 90 days delinquent” in lieu of the dispositions provided by IO 3-9. MDAD stated that the Accounts Receivable Unit and the Real Estate, Landside and Airside Divisions routinely perform debt collection services and delinquent accounts over 90 days are processed through the branch of the County Attorney's Office at the MDAD. MDAD also stated the department constantly reviews and aggressively pursues outstanding debts, in conjunction with the County Attorney's Office. Due to this policy, and the immediate availability of legal counsel, MDAD considers its collection efforts to be effectively performed.
2. The Library uses a collection agency with a niche market specializing in libraries to assist in making sure that Library materials are returned and that patron accounts are maintained in good standing. This external collection agency is able to gather account information and recover materials. The Library’s primary focus is to recover materials, as the past due fees are usually immaterial. Therefore, Library does not send all of its delinquent AR to FDCCS, and considers it would be more efficient and beneficial if they maintain their current process.
3. MDFR submits all billings for transport fees through an outside billing company. This company also acts as an outside collection agency. The billing company collects on these accounts first for approximately a year; at that point, the uncollected and delinquent accounts are forwarded to FDCCS.

Table III on the next page shows MDFR’s total AR for ground transportation as of September 30, 2012:¹¹

¹¹ Source: *Special Revenue- Fire - Accounts Receivable for Ground Transportation* report as of September 30, 2012.

Table III

Miami-Dade Fire Rescue (MDFR) Accounts Receivable for Ground Transportation

Category	Amount
AR with FDCCS	\$ 94,609,851.00
AR Write-Offs - FY 2006 thru FY 2011	(\$55,725,593.97)
AR with billing company	\$105,301,731.67
AR as of September 30, 2012	\$144,185,988.70

Source: *Special Revenue- Fire - Accounts Receivable for Ground Transportation* report as of September 30, 2012.

As noted in Table III above, MDFR has written off \$55,725,593.97 in AR for the period FY 2006 through FY 2011. In accordance with IO 3-9, this write-off does not preclude continuing collection efforts.

Of the \$105,301,731.67 in AR with the MDFR billing company as of September 30, 2012, \$91,917,509.54 was aged over 90 days. These delinquent accounts with the billing company for MDFR were not sent to FDCCS after 90 days of becoming due, as required by IO 3-9.

1.2. County departments do not have departmental policies and procedures regarding collection of AR as required by IO 3-9.

Of the selected departments, six (6) did not comply with IO 3-9, as they did not have departmental policies and procedures regarding collection of AR. These departments were MDCR, MDFR, ISD, PERA, PHCD, and MDT.

IO 3-9 states the following:

Primary responsibility for collection of accounts receivable rests with the department or agency under which the receivable or claim originated. This responsibility includes the development and updating of departmental policies and procedures to ensure the timely collection of debt, and the ongoing analysis of the collectability of associated accounts receivable pursuant to this Implementing Order.

Policies and procedures are an essential best practice recommended by the Government Finance Officers Association (GFOA). AR policies and procedures are a written body of requirements that “*establish proper control over all receipts and receivables and help ensure sound financial management practices. A formal manual that documents the entity’s revenue control and management procedures can facilitate policy implementation, as well as serve as an effective internal control in and of itself.*”¹²

The absence of written AR policies and procedures is a significant control violation and a material internal control weakness.

¹² GFOA Best Practice *Creating a Revenue Control and Management Policy* (2007, 2009, and 2012).

1.3. MDCR did not have an aging of AR as required by IO 3-9.

MDCR did not comply with IO 3-9, as the department did not have an aging of amounts owed related to the various fees charged to inmates, including uniform, medical and subsistence fees. Unaudited information provided by MDCR indicated that the dollar amount of delinquent AR for outstanding debt owed by inmates who have left MDCR's custody was in excess of \$60.5 million as of September 30, 2012.

IO 3-9 states the following:

Each department director or designee must ascertain that their respective internal accounting control system can accommodate a subsidiary accounts receivable ledger that is reconcilable to the County's General Ledger System, and which can monitor changes in customer accounts on a monthly basis, including an aging thereof.

As of July 19, 2012, MDCR reported their computer vendor, ARAMARK Correctional Services, LLC (ARAMARK), was having a difficult time sorting the debt, including all debt that was imported from Keefe, the previous commissary vendor. The query of the amount of the Keefe debt was erroneous since they mixed Keefe debt with debt incurred under ARAMARK from October 8, 2009 (when ARAMARK began) through December 31, 2009. MDCR indicated this problem as the reason for not completing the aging report of uncollected amounts that are tracked in the Commissary Accounting Subsidiary System.

An aging of AR is a basic accounting report that permits the department to monitor the condition and collectability of its AR. An aging indicates at which point in time an AR must be sent to FDCCS for collections. An AR aging is also an essential best practice recommended by GFOA. GFOA recommends that *"all accounts receivable should be recorded in a manner that allows for aging analysis."*¹³

These uncollected AR are not recorded in FAMIS. Only collected fees are booked as revenue and recorded in FAMIS. Thus, uncollected fees charged to inmates, like uncollected citations, are not part of the AR balances presented in the CAFR. Since delinquent AR for outstanding debt owed by inmates are currently not recorded as AR in the County's financial statements and unrecorded accounts cannot be written off, uncollected fees charged to inmates are not subject to the provisions of IO 3-9 related to adjustments of AR. However, this does not preclude the transfer of all delinquent accounts, including uncollected fees, to be collected by FDCCS as mandated by IO 3-9.

All of the above cases of noncompliance with IO 3-9, (findings 1.1, 1.2, and 1.3) have the effect of undermining the enhanced collection efforts approved by the BCC through Resolution R-656-11. This resolution was created to ensure uniform, consistent efforts to recover receivables throughout the County, of which non-compliance may result in lost revenues.

¹³ GFOA Best Practice *Creating a Revenue Control and Management Policy (2007, 2009, and 2012)*.

Recommendation

- 1.1. We recommend that MDAD, MDCR, MDFR, IT, ISD, Library, PROS, PERA, MDPD, PHCD, PWWM, POM, MDT, and WASD send all of their delinquent AR to FDCCS as required by IO 3-9.

Management Responses

Aviation

As noted in the Aviation Department's response to the Commission Auditor's original request for information, a number of factors would make outsourcing all Aviation collection operations impractical:

- 1. An extremely complex rate structure, with varying penalties for non-payment, and varying due dates for different types of payments.*
- 2. A collection cycle which is frequently longer than thirty days for legitimate business reasons (for example, the federal government usually pays on a ninety-day cycle).*
- 3. A high rate of ultimately successful collections. Write-offs are primarily due to bankruptcies and court cases which have no further legal remedies.*
- 4. Powerful collection tools such as liening aircraft and levying punitive aviation fees if an aircraft operator wishes to continue using the Airport. Use of these tools requires access to Aviation data and an in-depth knowledge of the industry and customer.*
- 5. In-house collection staff and in-house support from the County Attorney's Office.*
- 6. Dynamic, relatively frequent adjustments to billings (for example, rental space in the Terminal) due to the nature of airline operations.*
- 7. A revenue module/subsystem to the general ledger which is not accessible outside the Aviation Department.*

Further, the Aviation Department, in conjunction with the County's Finance Department and Office of Management and Budget, is completing a Six Sigma project designed to further improve accounts receivable collection processes.

Therefore, the Aviation Department proposes that the Implementing Order be amended to exclude Aviation and other enterprise departments that have similarly unique receivables.

Corrections and Rehabilitation

Although uncollected fees are not considered accounts receivables, MDCR is in the process of establishing a Memorandum of Understanding with the Finance Department Credit and Collection Section so they can begin collections procedures on uncollected subsistence fees. Once established, quarterly aging reports will be provided to facilitate the collection process and MDCR will write-off uncollected fees greater than 90 days in the Aramark System.

Fire Rescue

On page 11, within section V., Findings and Recommendations, the report notes that MDFR does not turn over delinquent Ground Transportation

accounts to Finance Department Credit and Collections Section (FDCCS) within 90 of becoming due, as required by IO 3-9. MDFR has an interdepartmental agreement with the Finance Department for accounts receivable that states that MDFR may hold Ground Transportation accounts for up to one year. This practice will continue due to the fact that private insurance companies and public payers such as Medicare and Medicaid allow up to one year for submittal of valid claims. Since the percentage of collections retained by the private contractor collecting ground transportation fees for MDFR is only 2.5% and the FDCCS rate is 30%, it makes economic sense for MDFR to allow up to one year for the accounts to be collected by the private contractor. MDFR will continue to send all other AR to FDCCS in accordance with IO- 3-9.

Information Technology

ITD's internal Account Receivables (AR) policy and procedures for debt collection currently includes the review of aging accounts, sending delinquent notices and scheduling payment plans. In addition to ITD's policy and procedures, ITD's Account Receivables staff's expertise in IT operations and their access to ITD's work order systems is advantageous in addressing request from debtors for clarification of charges, record requests and additional supporting documentation which has been effective in ITD's collection efforts, resulting in the reduction of aging AR balances by 80% since implementation in 2008.

ITD will engage FDCCS in order to evaluate the feasibility of an MOU and the implementation of a process that will include FDCCS as part of ITD's debt collection cycle.

Internal Services

ISD concurs with the OCA recommendation that delinquent ISD accounts be forwarded to FDCCS as required by IO 3-9. Effective June 2012, ISD began referring delinquent accounts to FDCCS. The process for transferring accounts was later formalized through a Memorandum of Understanding (MOU) with FDCCS (Attachment A). This MOU outlines the manner in which accounts would be transferred.

Library

The Library Department concurs with the findings. However, due to the nature of outstanding accounts in the Library Department it is critical that the Department use an outside agency that is able to place emphasizes on the return of lost books and materials to the Library.

Parks, Recreation and Open Spaces

Miami-Dade Parks, Recreation, and Open Spaces Department (PROS) endeavors to recover all receivables as effectively as possible. In the vast majority of cases, we forward delinquent accounts receivable in compliance with Implementing Order 3-9. However, the 90 day requirement, infrequently, imposes a counterproductive deadline, particularly for institutional partners. For example, if a public school, university, local or state government agency, corporate client, or programming partner has an occasional delay, we will

review the circumstance on a case-by-case basis. Otherwise, it is PROS policy to process delinquent accounts to Finance Department Credit and Collections Section, after the 90 day window, in a timely manner.

Police

MDPD does not concur with this finding. MDPD is in compliance with Implementing Order (IO) 3-9 since the Department does forward the majority of all delinquent accounts receivable (AR) not paid within ninety (90) days of the due date to the Finance Department's Credit and Collections Section (FDCCS). MDPD has a fully executed Memorandum of Understanding (MOU) as of September 25, 2012, with FDCCS which includes fiscal year 2011-12. Also, there is a business understanding between our Department and FDCCS that a few of our delinquent accounts may be kept and handled directly by MDPD due to constant collection efforts resulting in payment of the outstanding debt or establishment of a payment plan agreement. However, once all collection efforts have been fully exhausted by MDPD and no payment agreement has been reached with the customer, the account is usually then forwarded to FDCCS within a six month period.

Port of Miami

The Department has revised its procedures to include the timely submittal of delinquent AR to FDCCS. The latest quarterly report was submitted to FDCCS on January 14, 2014, for the period from October through December 2013, thus the Department is in compliance with 103-9.

Public Housing and Community Development

About 95% of our accounts receivable is related to mortgage receivables and commercial loans. The mortgage assistance provided by the Department is primarily in the form of a subordinate mortgage which holds relatively little weight in a foreclosure proceeding. The department's approach is typically not to place stern collection demands; instead the approach is to work with the client to get the mortgage current through a variety of available payment assistance methods.

Accounts transferred to Credit and Collections Section include the commercial loans of the Community Development Revolving Loan Fund (CDRLF), Hialeah Road Impact Loan Program, Empowerment Zone (EZ), DEEDCO, and the Urban Task Force Stability Loans were inherited by PHCD and were already delinquent upon the transfer of the portfolio. The businesses included in the write off are closed and there is no evidence that there were any personal guarantees used as collateral for any of these loans.

The balance of the portfolio is made up of tenants who vacated a property with a balance and a tenant of the Section 8 program who has an outstanding balance. Tenants who vacate public housing with a balance and Section 8 tenants who have an outstanding balance and are no longer in the program are placed into a system called the Enterprise Income Verification (EIV) system. One of the purposes of this system is to assist Public Housing Authorities (PHAs) across the country in sharing collection information. If a tenant leaves a PHA owing a balance, they are listed in this system and

cannot receive any additional assistance until the issue is resolved. This policy is used by the department.

Public Works and Waste Management

The Department currently has a MOU agreement with the Finance Department Credit and Collections Section (FDCCS) for all code enforcement accounts beyond 90 days. Currently the department does not forward the delinquent waste collection accounts to FDCCS. These accounts go through a legal process which includes the County Attorney's Office, the Courts, and Special Masters.

The Department met with FDCCS management in July 2012 to evaluate the benefits of sending waste collection accounts to FDCCS, but found it would be a disadvantage considering the 30% fee charged by FDCCS (which would result in a discounted cash collection to the Department as compared to the full fees collected by the legal process).

Regulatory and Economic Resources

This recommendation relates to the Environmental Resources Management (DERM) and the Construction, Permitting, and Building Code (CPBC) Divisions of RER (these divisions formerly comprised the PERA Department cited above). RER concurs that delinquent AR should be sent to FDCCS as required by IO 3-9; however, RER does not currently have outstanding AR that requires forwarding to FDCCS for collection. RER has outstanding debts that relate to the Department's citation/enforcement processes, and those debts will be discussed in our response to Audit Report Recommendation 4 below.

Transit

We concur with this finding as it relates to MDT. In January 2014, we executed a Memorandum of Understanding (MOU) between Finance Department's Credit and Collection Section (FDCCS) and MDT. Additionally, we submitted delinquent Accounts Receivables (AR) to them for collection.

Water and Sewer

As of January 13, 2013, WASD secured a signed MOU (attachment 1). All delinquent accounts are forwarded to FDCCS as required.

Recommendation

- 1.2. We recommend that MDCR, MDFR, ISD, PERA, PHCD, and MDT develop departmental policies and procedures regarding AR collection that reflect IO 3-9.

Management Responses

Corrections and Rehabilitation

MDCR is in the process of developing policies and procedures to govern accounts receivable and the referral of delinquent accounts to the Finance Department consistent with IO 3-9.

Fire Rescue

MDFR agrees and will develop departmental policies and procedures regarding AR collection that reflect IO 3-9.

Internal Services

The ISD written departmental policies and procedures regarding AR collections, consistent with IO 3-9, are included as Attachment B.

Public Housing and Community Development

Our internal policies outline the procedures put in place for collection of delinquent mortgage accounts and our write-off process for these accounts.

Regulatory and Economic Resources

This recommendation applies to the Environmental Resources Management (DERM) and the Construction, Permitting, and Building Code (CPBC) Divisions of RER (these divisions formerly comprised the PERA Department cited above). RER concurs with the recommendation, and we will establish policies and procedures so that if RER has outstanding AR they will be processed in a manner that reflects the requirements of IO 3-9.

Transit

MDT does have a written policy and procedure regarding collection of AR; however, the policy was not timely updated to reflect the adoption of IO 3-9 at the time of the Audit. The Department has updated the policy to incorporate IO 3-9.

Recommendation

- 1.3. We recommend that MDCR monitor changes in customer accounts, on a monthly basis, including an aging of amounts owed, in accordance with IO 3-9.

Management Response**Corrections and Rehabilitation**

MDCR advised the OCA that accounts receivable information (inmate subsistence fees), including uncollected fees, is maintained by a third party vendor, Aramark Correctional Services, LLC, and not by MDCR. Accounts receivable (including uncollected fees) information from the previous vendor, Keefe, was incorporated into this system dating back to 1997. The system utilized by Keefe failed to record some of the release dates for inmates and continued to generate daily subsistence fees. These system errors equate to voluminous amounts of data that bog down the system's reporting modules. MDCR is currently in the process of identifying the system errors in order to reverse these erroneous fees and write-off actual uncollected fees. In the future, MDCR will query monthly account aging reports in order to monitor charges.

Finding 2. Departments did not track subsequent collections on amounts adjusted/written off on September 1, 2011 as directed by the BCC.

Except for ASD, MDAD, MDFR, MDPD, PHCD, POM, PROS, PWWM, WASD, and Vizcaya, information was not provided on subsequent collections from the AR adjusted/written off amounts at the September 1, 2011 BCC meeting through February 29, 2012.

IO 3-9 states the following:

The adjustments of accounts receivables of a customer account from the accounting records does not preclude continuing collection efforts, to the extent deemed practicable under the circumstances and considering the nature and value of services provided by the County.

For departments that had AR adjustments/write-offs at the September 1, 2011 BCC meeting, the Administration was asked to provide a tracking of subsequent collections of the adjusted/written off debt of \$37,858,233. This information was requested to be provided within six months and for the six months period ended February 29, 2012.

Table IV below details the AR adjusted/written off amounts by department on the September 1, 2011 BCC Meeting, and the amounts subsequently rescued (recovered) at the six (6) month mark February 29, 2012:

Table IV
Amounts Written-off/Adjusted on September 1, 2011 BCC Meeting and
Subsequent Amounts Recovered through the six months ended February 29, 2012

Department	AR adjustment amounts on September 1, 2011	Amounts recovered (collected) as of February 29, 2012
MDAD	\$5,349,916	\$0
POM	\$1,593,092	\$0
PWWM	\$164,571	\$0
MDT	\$33,168	No information provided.
WASD (non-retail)	\$3,487,271	\$37,659
WASD (retail)	\$7,816,401	\$1,057,621
CAHS ¹⁴	\$18,586	No information provided.
PHCD	\$7,624,826	\$2,186
ASD ¹⁵	\$4,325,371	\$131,398
MDFR	\$6,914,244	\$0
LIBRARY	\$201,120	No information provided.
PROS	\$112,080	\$0

¹⁴ The Community Action and Human Services Department (CAHS) was excluded from the scope of the audit. Thus, this information was not requested from CAHS.

¹⁵ Miami-Dade County Animal Services Department (ASD) was excluded from the scope of the audit. The Finance Department Credit and Collections Section (FDCCS) provided us with the ASD information included in Table IV.

Department	AR adjustment amounts on September 1, 2011	Amounts recovered (collected) as of February 29, 2012
MDPD	\$215,184	\$0
VIZCAYA ¹⁶	\$2,403	\$0
	\$37,858,233	

It should be noted that ASD Citations in the amount of \$4,325,371 were presented to the BCC for write off approval on September 1, 2011. These ASD Citations should not have been presented because uncollected citations are currently not recorded as AR in the County's financial statements and unrecorded accounts cannot be written off.

Failure to keep track of collection efforts and amounts recovered may result in loss of revenues and hinder subsequent collection efforts.

Recommendation 2

We recommend that all departments, including those noted at the September 1, 2011 BCC meeting, keep accurate records of all AR accounts adjusted/written off, and track the subsequent collections and amounts rescued (recovered) of these accounts.

Management Responses

Fire Rescue

MDFR concurs and will work with our outside vendor and MDCCS to implement this process.

Internal Services

While ISD was not one of the departments that submitted adjustment/write off amounts to the BCC on September 1, 2011, ISD does concur with the recommendation that adjustments and write offs be tracked by account, and that subsequent collections and amounts recovered on these accounts be recorded and tracked. ISD systems comply with these requirements.

Library

We concur with the recommendations. However, the accounts that were written off from the Library Department were accounts that were past due for a significant number of years. The Department had exhausted all resources in order to collect these past due accounts without yielding any results.

Parks, Recreation and Open Spaces

Of the sixty-one (61) accounts, totaling \$112,080.23, the County recovered no (\$0.00) funds between approval of the write-off on September 1, 2011 and February 29, 2012, six months later.

¹⁶ Vizcaya is a freestanding County agency overseen by the Vizcaya Museum and Gardens Trust. Although it was excluded from the scope of the audit because it is not a County department, Vizcaya provided us with the information included in Table IV.

Police

MDPD does not concur with this finding. Prior to the September 25, 2012, MOU between MDPD and the Finance Department, the FDCCS was our service billing provider for the thirty-six (36) accounts presented and approved by the Board of County Commissioners (BCC) for write-off on September 1, 2011. Our office maintains a detail spreadsheet for the accounts written off which provides the reason why no subsequent collection efforts were made. Also, it is our understanding that FDCCS exhausted all collection efforts as our billing provider for these accounts since the majority of businesses and/or organizations listed in the write-off report could not be located or had filed for bankruptcy.

Port of Miami

The Department will revise its procedures to include the timely reporting of subsequent collections and amounts recovered of these accounts. As of the date of this report, no amounts have been recovered.

Public Housing and Community Development

Subsequent collections of accounts adjusted/written off on September 1, 2011 were provided to OCA.

Public Works and Waste Management

Due to the circumstances of the write-offs, two of the three businesses went out of business and one settled with the County which resulted in no available subsequent collection efforts to be pursued by the Department. Therefore, there is no information to be tracked by the Department.

Additionally, the Department forwarded information on two occasions (February 28, 2012 and March 16, 2012) indicating that there were no additional collection efforts for these accounts.

Water and Sewer

WASD does perform collection efforts after an account has been written off. This is mainly enforced through the prevention of opening an account at WASD by a delinquent customer prior to making payment on outstanding balance(s). The 2nd attachment reflects monies collected, through February 2012, on accounts written off.

Finding 3. FDCCS incentives require improvement.

During our interviews with FDCCS staff, we found that the motivation to perform at a higher level could be better sustained throughout the entire month if payments to staff were not capped at the current ceiling levels, but were instead uncapped with no ceiling.

The previous *Finance Department Credit and Collections Memorandum (MOU)* approved by Resolution R-957-08 (adopted September 2, 2008) provided financial incentives for individual collectors and supervisors who achieve gross monthly collections in excess of a revenue target. The MOU also provided financial incentives

for support staff and the Section Manager for exceeding a monthly net revenue target based on the Section's annual revenue budget. Payments to collectors, supervisors and the Section Manager were capped at \$4,800 per year, while payments to support staff were limited to \$2,400 annually.

Since our audit started, the Finance Department presented the BCC with an amended MOU, which slightly raises the incentives to FDCCS. Resolution R-734-13 (adopted September 17, 2013) replaced the prior MOU that expired September 30, 2013. The new MOU contains two additional incentives. First, the prior MOU provided collectors that met certain collection targets with a monthly incentive payout of up to \$400. The updated MOU provides these collectors with an additional incentive of \$150 if they are able to collect twice the amount that would have generated the payout of \$400. This additional monthly incentive is designed to encourage collectors to seek large collections, and to continue their efforts when they have achieved their targets early in a month. Second, an annual end-of-year team incentive payout will be shared equally among all participating employees should the FDCCS exceed the previous fiscal year's actual net revenue, exclusive of transfers, by more than \$100,000. For each \$100,000 increment above the previous year's actual net revenue, each eligible employee will receive \$500 up to a maximum of \$1,000 for this end-of-year team incentive payout.

We do not consider these additional incentives sufficient or effective to accomplish the County's objectives. Current targets, which are adjusted periodically, require collectors to collect \$38,874.00 to obtain a monthly incentive payout of up to \$400, plus an additional incentive of \$150 if they are able to collect twice that amount, or \$77,748.00 a month. Given the proper incentives and the added volume of accounts if all departments comply with IO 3-9, these collectors could possibly exceed these targets for the benefit of the County.

The current FDCCS revenue target incentives of the staff members of the FDCCS reduce the motivation to collect once the revenue target ceilings are reached, and are not effective in helping collectors to reach their maximum revenue potentials every month.

The Finance Department maintains that unlimited earning potential for individual collectors would create an extremely competitive environment that invites over-aggressive collection tactics and would lead to poor customer experiences. Management believes that the amount of bonus pay available to collectors should be measured and adjusted periodically to ensure maximum collections without sacrificing quality customer care.

Recommendation 3

We recommend that the FDCCS Productivity and Revenue Generation Program (revenue generation and gainsharing agreement) provide for increased incentives or be uncapped with no ceiling.

Management Response

Finance

The new Gainsharing MOU was drafted with the cooperation and recommendation of the Office of Management and Budget and approved by

the employees and their unions. Our main emphasis is to foster a team oriented environment, thereby increasing total yearly collections. The additional individual collector's tier is considered an extra incentive to further motivate the collector to achieve higher collection targets for the benefit of the team. It is our view that unlimited earning potential for individual collectors would create an extremely competitive environment that invites over-aggressive collection tactics and leads to poor customer experiences. While we believe that it is very important to collect as much as we possibly can from each delinquent account, we also believe that as employees of Miami-Dade County, we are all in the business of providing the best possible customer service to our constituents. With that in mind, we believe that the amount of bonus pay available to collectors should be measured and adjusted periodically to ensure maximum collections without sacrificing quality customer care.

B. Citations

Finding 4. Code enforcement citations are not being actively collected by departments.

Except for SPEE (now part of RER) and ASD's citations, which are sent to FDCCS when they become delinquent, code enforcement citations were not being actively collected by selected County departments or sent timely to FDCCS. Proactive, systematic collection efforts, as those routinely performed at FDCCS, were not being followed by these departments.

IO 3-9 states the following:

A department shall declare an account "past due" if not paid within thirty (30) days of the due date. If not paid within ninety (90) days of the due date, the account shall be considered "delinquent." Department directors shall forward "delinquent" accounts receivable to the Credit and Collection Section of the Finance Department.

Table V below shows the amount of outstanding citations as of August 3, 2013¹⁷:

Table V
Unpaid Citations by Department as of August 3, 2013 per the Clerk of Courts

Department	Number of Unpaid Citations	Original Penalty Balance	Accrued Penalties, Costs, Surcharges And Lien Balance	Total Amount Unpaid
ASD	233,777	\$23,533,333	\$21,540,633	\$45,073,966
MDFR	9,906	\$3,383,230	\$24,136,055	\$27,519,285

¹⁷ Source: The Clerk of Courts report data is comprised of the *Miami-Dade County - Code Enforcement - County Clerk Division - Aging Of Unpaid Citations* report CEFB603 Original Penalty Balance as of August 3, 2013, and the *Miami-Dade County - Code Enforcement - County Clerk Division - Aging Of Unpaid Citations* report CEFB604 Unpaid Citations by Penalty Type as of August 3, 2013.

Department	Number of Unpaid Citations	Original Penalty Balance	Accrued Penalties, Costs, Surcharges And Lien Balance	Total Amount Unpaid
ISD	8,238	\$6,098,621	\$81,982	\$6,180,603
MDPD	27,246	\$2,537,613	\$1,145,235	\$3,682,848
PWWM	7,539	\$1,776,334	\$13,675,710	\$15,452,044
RER	53,456	\$20,807,192	\$373,763,930	\$394,571,122
WASD	18	\$5,530	\$61,590	\$67,120
Other	709	\$113,591	\$109,975	\$223,566
Total	340,889	\$58,255,444	\$434,515,110	\$492,770,554

Source: *Miami-Dade County - Code Enforcement - County Clerk Division - Aging Of Unpaid Citations* report as of August 3, 2013. See footnote 18.

According to a County Clerk report¹⁸, the total amounts collected by all departments from October 1, 2002 through May 9, 2012 were \$74,471,221, including \$15,102,628 in ASD citations. Most of the ASD citations were collected by FDCCS. This demonstrates that all departments issuing citations (excluding ASD) collected a total of \$59,368,593 in approximately nine years at an average of \$6,194,984 a year. At that rate of collections, even if the County stops issuing citations, it would take over 72 years for the departments issuing citations (excluding ASD) to collect the balance outstanding as of August 3, 2013.

The number of unpaid citations grew from 297,877 as of August 9, 2012¹⁹ to 340,889 as of August 3, 2013, or 43,012 additional unpaid citations. The total unpaid amounts grew from \$456,106,121 as of August 9, 2012 to \$492,770,554 as of August 3, 2013, or \$36,664,433 in additional unpaid amounts, including original penalty balances, accrued penalties, costs, surcharges and lien balances.

Furthermore, as of August 3, 2013, the amount of unpaid citations aged older than one year was \$411,078,917 or 83% of all unpaid citations in the County. According to IO 3-9, these uncollected citations are considered delinquent, and should have been sent to FDCCS for collection after 90 days of becoming due.

RER's management stated that the total amount of unpaid citations, accumulated penalties, and liens reflected in the OCA report for the RER should not be considered fully collectible for the following reasons:

¹⁸ *Miami-Dade County - Code Enforcement - County Clerk Division - Amounts Collected 10/01/2002 through 05/09/2012* report.

¹⁹ *Miami-Dade County - Code Enforcement - County Clerk Division - Aging Of Unpaid Citations* report dated August 9, 2012.

1. First, the amounts in the Clerk of Courts Code Enforcement Application System, referred to as SEFA²⁰, reflect the full value of the citation and accumulated penalties. RER often negotiates these amounts down (in accordance with an established settlement formula) on condition that compliance is reached.
2. Second, under the provisions of the Amnesty Ordinance 11-64, RER is mandated to collect only the enforcement costs upon correction of a residential building code violation. All citations, penalties, and liens are voided.²¹
3. Third, the SEFA report includes companion citations issued for violations on real property with multiple owners. Though a separate citation is issued to each owner, upon correction of the violation(s), only one citation is collected and associated penalties settled; the remaining are voided. The total amounts associated with the outstanding companion citations, as stated in the SEFA report, will not be realized.
4. Lastly, there are inaccuracies in the SEFA data due to communication factors (untimely or erroneous data transfer to update information). The update of citation status in SEFA relies mainly on a manual paper process that is susceptible to data loss or data entry errors and there is a high incidence of discrepancies when comparing the RER enforcement case citation information with the SEFA citation information. The County is currently pursuing the implementation of an Enforcement Enterprise System to transfer all enforcement action into a universal system which is anticipated to close this communication gap.

PERA (now part of RER), for instance, cited the lack of sufficient inspectors with which to inspect properties after citations have been paid as a reason not to actively collect these unpaid citations. This is significant because RER had \$394,571,122 in unpaid citations as of August 3, 2013.

RER's management later explained that the lack of sufficient inspectors was not the root cause of outstanding citation amounts in SEFA since RER were only referring to Building Code violations. Further, RER were only referring to work performed without permits, since expired permit citations do not require a physical inspection to verify that the violation was corrected. That would exclude a significant amount of enforcement cases and outstanding citations as the "inspection" issue does not apply.

According to the new RER website:

The Regulatory and Economic Resources Department's Lien Section is responsible for the recovery of fines and fees expended due to the enforcement of the Miami-Dade County Code. The philosophy of the County is to recover enforcement costs from the property owners with violations. The goal of our section is to encourage properties with violations to achieve compliance.

²⁰ SEFA is the Clerk of Courts compliance database used in tracking citations.

²¹ The Amnesty Ordinance 11-64, adopted on August 2, 2011, is implemented by the Department of Regulatory & Economic Resources (RER). From August 2, 2011 through November 6, 2013, RER has been able to successfully complete a total of 898 cases under the provisions of the ordinance.

According to AO 2-5, the meaning of compliance is as follows:

It shall be the policy of Miami-Dade County to foster compliance with the ordinances passed by the Board of County Commissioners, as embodied in the Code of Miami-Dade County by encouraging its Code Inspectors to utilize available enforcement mechanisms, including the issuance of Uniform Civil Violation Notices (“CVNs”), to attain this goal. It shall also be the policy of Miami-Dade County to recover enforcement fines levied, administrative hearing and enforcement costs incurred by the departments involved in code enforcement activities, and accrued interest by utilizing administrative settlement and lien procedures.

We asked all selected departments to provide us with what amount of unpaid citations did they consider collectible, based on history of collection, in percentage terms. Only PERA (now part of RER) responded to our request. In PERA’s opinion, for the former Building and Neighborhood Compliance Department (BNC), “between 75% to 85% of good CVN’s, not including CVN’s closed due to judicial/hearing decisions, CVN’s covered by amnesty or CVN’s issued in error, have been collected,” and, for the former Department of Environmental Resource Management (DERM), “an average of 70% of penalties charged have been collected.” If these numbers were accurate, and we did not audit these numbers, it would mean that the County could expect to collect a significant amount in additional revenue (including accrued penalties, costs, surcharges and lien balances) if unpaid citations generated by RER were vigorously collected by FDCCS, as required by IO 3-9.

In reviewing these collection rates with RER’s management, they stated that RER collects 75% to 85% of the *face* value of good CVNs and not the *accumulated penalties*, since those are consistently settled for a lower amount. We are unable to determine what percentage of all CVNs are good CVNs.

According to the *Miami - Dade County, Florida - Code of Ordinances Chapter 8CC Code Enforcement Sec. 8CC-7*:

- (a) Miami-Dade County may institute proceedings in a court of competent jurisdiction to compel payment of civil penalties.*
- (b) After one (1) year from the filing of any such lien which remains unpaid, Miami-Dade County may foreclose or otherwise execute on the lien.*
- (c) Liens created pursuant to Section 8CC-7 may be discharged and satisfied by paying to Miami-Dade County the amount specified in the notice of lien, together with interest thereon from the date of the filing of the lien computed at the rate of twelve (12) percent per annum, together with the administrative costs, filing and recording fees and fees paid to file a satisfaction of the lien in the public records.*
- (d) Notwithstanding any provision of this Code, no County or municipal officer, agent, employee or Board shall approve, grant or issue any operating permit, license, building permit, certificate of use and occupancy, municipal occupational licenses, platting action, or zoning action to any named violator with (i) unpaid civil penalties; (ii) unpaid administrative costs of hearing; (iii) unpaid County investigative, enforcement, testing, or monitoring costs; or (iv) unpaid liens, any or all of which are owed to Miami-Dade County pursuant to the provisions of the Code of Miami-Dade County, Florida.*

As discussed in the background section, since uncollected citations are currently not recorded as AR in the County's financial statements and unrecorded accounts cannot be written off, uncollected citations are not subject to the provisions of IO 3-9 related to adjustments of AR. However, this does not preclude the transfer of all delinquent accounts, including uncollected citations, to be collected by the FDCCS as mandated by IO 3-9.

Not sending all delinquent citations to FDCCS undermines the enhanced collection efforts approved by the BCC through Resolution R-656-11. This resolution was created to ensure uniform, consistent efforts to recover receivables throughout the County, of which non-compliance may result in significant lost revenues.

Recommendation 4

We recommend that all departments send all delinquent citations to FDCCS for collection as required by IO 3-9.

Management Responses

Fire Rescue

MDFR concurs with this recommendation and will continue sending all delinquent citations to FDCCS as required by IO 3-9. Compliance with this recommendation resulted in MDFR collecting \$1.4 million more in FY 2013 than in FY 2012.

Internal Services

ISD concurs with the finding that delinquent code enforcement citations were not sent timely to FDCCS. However, ISD does not concur with the finding that code enforcement citations were not being actively collected. Within ISD, code enforcement citations only apply to the ISD Office of Elevator Safety (OES). The OES is responsible for regulating elevator equipment throughout Miami-Dade County, under contract with the State of Florida, Bureau of Elevator Safety. Compliance and collection efforts are pursued by the OES through phone calls, site visits, monthly statements and e-mail notifications. The OES issues Notices of Violations and Administrative Fines (summons) regulated by and in accordance with Florida Statute, if corrective action is not taken by violators. The summons imposes a fine which is managed and collected by the Clerk of Courts (COC) on behalf of ISD. The COC sends an additional notice to violators and handles the scheduling of hearings for those seeking to appeal a citation. ISD staff works in conjunction with the COC and County Attorney's Office in code enforcement and collection efforts. ISD monitors collections by account and is now routinely coordinating with the Clerk of Courts the transfer of delinquent citations to FDCCS, in accordance with the ISD Memorandum of Understanding (MOU) with FDCCS.

Police

MDPD does not concur with this finding. Code enforcement citations for MDPD are actively collected by the Clerk of Circuit and County Court Code Enforcement, and they send all MDPD delinquent citations (over 90 days past due) to FDCCS for collection as required by IO 3-9.

Regulatory and Economic Resources

RER concurs that our enforcement and collection efforts may be further enhanced by working with FDCCS on outstanding citations, and RER is currently finalizing an MOU between Environmental Resources Management (DERM), Construction, Permitting, and Building Code (CPBC), and FDCCS to realize the benefits of a coordinated effort. Please note that RER's Division of Business Affairs already has an MOU with FDCCS to actively collect code enforcement citations, and that arrangement is working well.

Water and Sewer

WASD's code enforcement citations are related to tampering of WASD's facility (ies). Collection for tampering is made when an account is open / reactivated by a customer. Tampering charges are requested to be satisfied at the time a lien on a customer's account is being considered for payment. WASD currently implemented a more robust enforcement/collection of its tampering charges. All tampering charges will be processed as a civil violation through the Clerk of Courts of Miami-Dade County (COC). Issuance of tapering violation(s) will be made through violation booklets issued by the COC. All payments for related violations are to be made to the COC. The COC will oversee all collections efforts going forward.

Exhibit I

Table VI below shows an aging of unpaid citations by penalty type as of August 3, 2013:

Aging of Unpaid Citations by Penalty Type as of August 3, 2013 per the Clerk of Courts

ALL DEPTS	< OR = 1 YEAR	> 1 TO 2 YRS	> 2 TO 3 YRS	> 3 TO 4 YRS	> 4 TO 5 YRS	> 5 TO 10 YRS	> 10 YEARS	TOTAL
NUMBER OF CITATIONS	84,286	49,778	49,693	42,819	22,391	60,799	31,123	340,889
ORIGINAL PENALTY BALANCE	\$13,579,892	\$7,580,978	\$5,311,237	\$4,383,869	\$2,511,396	\$7,929,803	\$6,421,542	\$47,718,717
% OF TOTAL ORIGINAL BALANCE	28%	16%	11%	9%	5%	17%	13%	100%
ACCRUED PENALTIES BALANCE	\$56,672,309	\$29,611,153	\$16,643,815	\$11,367,462	\$10,585,848	\$29,126,907	\$28,587,599	\$182,595,093
% OF TOTAL	31%	16%	9%	6%	6%	16%	16%	100%
ADMIN. COST BALANCE	\$19,562	\$18,055	\$17,269	\$20,643	\$14,187	\$58,613	\$86,998	\$235,327
% OF TOTAL	8%	8%	7%	9%	6%	25%	37%	100%
SUR CHARGE BALANCE	\$805,401	\$442,171	\$435,073	\$371,865	\$183,109	\$508,653	\$130,712	\$2,876,984
% OF TOTAL	28%	15%	15%	13%	6%	18%	5%	100%
DEPT. COST BALANCE	\$1,528,936	\$839,209	\$799,489	\$584,798	\$707,234	\$1,228,474	\$47,183	\$5,735,323
% OF TOTAL	27%	15%	14%	10%	12%	21%	1%	100%
DEPT. SUR CHARGE BALANCE	\$305,127	\$170,609	\$185,702	\$164,998	\$37,496	\$0	\$0	\$863,932
% OF TOTAL	35%	20%	21%	19%	4%	0%	0%	100%
LIEN BALANCE	\$8,455,891	\$32,918,113	\$48,113,507	\$40,051,350	\$34,595,660	\$60,164,145	\$27,615,852	\$251,914,518
% OF TOTAL	3%	13%	19%	16%	14%	24%	11%	100%
SETTLMNT BALANCE	\$324,519	\$188,290	\$87,137	\$23,976	\$27,914	\$98,082	\$80,339	\$830,257
% OF TOTAL	39%	23%	10%	3%	3%	12%	10%	100%
GRAND TOTAL	\$81,691,637	\$71,768,578	\$71,593,229	\$56,968,961	\$48,662,844	\$99,114,677	\$62,970,225	\$492,770,151

Source: *Miami-Dade County - Code Enforcement - County Clerk Division - Aging Of Unpaid Citations* report CEFB604
Unpaid Citations by Penalty Type as of August 3, 2013.

Note: \$10,536,727 of the \$58,255,444 in Original Penalty Balance is included in the Lien Balance on this table.

ATTACHMENTS

Management Responses to Findings and Recommendations

ATTACHMENT 1

Carrazana, Luis (OCA)

From: Lee, Anne Syrcle (Aviation) <ALEE@miami-airport.com>
Sent: Wednesday, January 22, 2014 10:07 AM
To: Anderson, Charles (OCA); Carrazana, Luis (OCA); Marquez, Edward (Office of the Mayor)
Cc: Suarez, Dennise (FIN); Gonzalez, Emilio T. (Aviation); Pyatt, Ken (Aviation); Campos, Evelyn (Aviation); Beaz, Roberto (Aviation); Carrion, Sucie (Aviation); Lee, Anne Syrcle (Aviation); Garcia, Vicky (Aviation); Martinez, Angie (OCA)
Subject: Aviation response to the Commission Auditors Report FINAL
Attachments: Aviation response to the Commission Auditors Report FINAL.docx

Good morning.

Attached please find Aviation's response.

Regards,
Anne Syrcle Lee
Chief Financial Officer
Miami-Dade Aviation Department
305-876-7731 (Office)

"Delivering Excellence Every Day"

ATTACHMENT I

MIAMI-DADE AVIATION DEPARTMENT RESPONSE

As noted in the Aviation Department's response to the Commission Auditor's original request for information, a number of factors would make outsourcing all Aviation collection operations impractical:

1. An extremely complex rate structure, with varying penalties for non-payment, and varying due dates for different types of payments.
2. A collection cycle which is frequently longer than thirty days for legitimate business reasons (for example, the federal government usually pays on a ninety-day cycle).
3. A high rate of ultimately successful collections. Write-offs are primarily due to bankruptcies and court cases which have no further legal remedies.
4. Powerful collection tools such as liening aircraft and levying punitive aviation fees if an aircraft operator wishes to continue using the Airport. Use of these tools requires access to Aviation data and an in-depth knowledge of the industry and customer.
5. In-house collection staff, and in-house support from the County Attorney's Office.
6. Dynamic, relatively frequent adjustments to billings (for example, rental space in the Terminal) due to the nature of airline operations.
7. A revenue module/subsystem to the general ledger which is not accessible outside the Aviation Department.

Further, the Aviation Department, in conjunction with the County's Finance Department and Office of Management and Budget, is completing a Six Sigma project designed to further improve accounts receivable collection processes.

Therefore, the Aviation Department proposes that the Implementing Order be amended to exclude Aviation and other enterprise departments that have similarly unique receivables.

Memorandum



Date: March 4, 2014

To: Charles Anderson, CPA
Commission Auditor

From: Marydell Guevara, Interim Director
Miami-Dade Corrections and Rehabilitation Department

Subject: Response to Audit of Debt Collection Processes: Miami-Dade County-
Final Draft Management Review and Comments

The Miami-Dade Corrections and Rehabilitation Department (MDCR) has reviewed the *Audit of Debt Collection Processes: Miami-Dade County* conducted by the Office of Commissioner Auditor (OCA). MDCR has been working with your office since 2012 to document accounts receivable as part of the Debt Collection Processes Report for Miami-Dade County. MDCR appreciates the opportunity to provide comments regarding the attached audit findings which are provided below:

Audit Findings

- 1.1 County departments do not sent all of their delinquent AR to FDCCS as required by Implementing Order (IO) 3-9: *Accounts Receivable Adjustments*.

Audit Recommendations

We recommend that MDAC, MDCR, MDFR, IT, ISD, Library, PROS, PERA, MDPD, PHCD, PWWM, POM, MDT and WASD send all of their delinquent AR to FDCCS as required by IO 3-9.

MDCR Response

Although uncollected fees are not considered accounts receivables, MDCR is in the process of establishing a Memorandum of Understanding with the Finance Department Credit and Collection Section so they can begin collections procedures on uncollected subsistence fees. Once established, quarterly aging reports will be provided to facilitate the collection process and MDCR will write-off uncollected fees greater than 90 days in the Aramark System.

Audit Findings

- 1.2 County departments do not have departmental policies and procedures regarding collection of AR as required by IO 3-9. Of the selected departments, six (6) were not in compliance with IO 3-9 as they did not have departmental policies and procedures regarding collection of AR. These departments were: MDCR, MDFR, ISD, PERA, PHCD, and MDT.

Audit Recommendations

We recommend that MDCR, MDFR, ISD, PERA, PHCD, and MDT develop departmental policies and procedures regarding AR collection that reflect IO 3-9.

MDCR Response

MDCR is in the process of developing policies and procedures to govern accounts receivable and the referral of delinquent accounts to the Finance Department consistent with IO 3-9.

Audit Findings

- 1.3 MDCR was not in compliance with IO 3-9, as the department did not have an aging of amounts owed related to the various fees charges to inmates, including uniform, medical and subsistence fees. Unaudited information provided by MDCR indicated that the dollar amount of delinquent AR for outstanding debt owed by inmates who have left MDCR's custody was in excess of \$54.6 as of September 30, 2011.

ATTACHMENT II

Response to Audit of Debt Collection Processes: Miami-Dade County-
Final Draft Management Review and Comments
Page 2 of 2

Audit Recommendations

We recommend that MDCR monitor changes in customer accounts, on a monthly basis, including an aging of amounts owed, in accordance with IO 3-9.

MDCR Response

MDCR advised the OCA that accounts receivable information (inmate subsistence fees), including uncollected fees, is maintained by a third party vendor, Armark Correctional Services, LLC., and not by MDCR. Accounts receivable (including uncollected fees) information from the previous vendor, Keefe, was incorporated into this system dating back to 1997. The system utilized by Keefe failed to record some of the release dates for inmates and continued to generate daily subsistence fees. These system errors equate to voluminous amounts of data that bog down the system's reporting modules. MDCR is currently in the process of identifying the system errors in order to reverse these erroneous fees and write-off actual uncollected fees. In the future, MDCR will query monthly account aging reports in order to monitor charges.

We appreciate your assistance in this matter, and MDCR staff will work diligently towards compliance with the IO 3-9. Please feel free to contact me directly if you have any questions at telephone number 786.263.6010.

MG/vms
Attachment

c: Genaro "Chip" Iglesias, Deputy Mayor
Edward Marquez, Deputy Mayor
Jackie Berry, Assistant Director, MDCR, Management Services
Walter Schuh, Chief, Fiscal Resources Division
Blanca Padron, Deputy Director, Finance Department

Carrazana, Luis (OCA)

From: Carrazana, Luis (OCA)
Sent: Monday, February 24, 2014 11:10 AM
To: Carrazana, Luis (OCA)
Subject: FW: Audit of Debt Collection Processes Report - OCA Meeting

From: Casamayor, Fernando (FIN)
Sent: Tuesday, December 03, 2013 3:57 PM
To: Carrazana, Luis (OCA); Salas, Juliana (RER); Erml-Martinez, Christa (RER)
Cc: Anderson, Charles (OCA); Padron, Blanca (FIN); Suarez, Dennise (FIN); Cam, Peter (FIN); Mekin, Cristina (FIN); Singh, Neil R. (OCA); Aranha, Noel (OCA)
Subject: RE: Audit of Debt Collection Processes Report - OCA Meeting

Hi Luis,

Here is our version of what we would like reflected regarding gainsharing:

The new Gainsharing MOU was drafted with the cooperation and recommendation of the Office of Management and Budget and approved by the employees and their unions. Our main emphasis is to foster a team oriented environment, thereby increasing total yearly collections. The additional individual collector's tier is considered an extra incentive to further motivate the collector to achieve higher collection targets for the benefit of the team. It is our view that unlimited earning potential for individual collectors would create an extremely competitive environment that invites over-aggressive collection tactics and leads to poor customer experiences. While we believe that it is very important to collect as much as we possibly can from each delinquent account, we also believe that as employees of Miami-Dade County, we are all in the business of providing the best possible customer service to our constituents. With that in mind, we believe that the amount of bonus pay available to collectors should be measured and adjusted periodically to ensure maximum collections without sacrificing quality customer care.

Take care,

Fernando Casamayor, Tax Collector
Miami-Dade County Finance Department
Phone: (305) 375-5448
Fax: (305) 375-4214
<http://www.miamidade.gov/taxcollector>
"Delivering Excellence Every Day"

Memorandum



Date: February 28, 2014

To: Ed Marquez, Deputy Mayor/Finance Director

From: Dave Downey, Fire Chief
Miami-Dade Fire Rescue

Subject: Response to Commission Auditor Report on Debt Collection Processes

Pursuant to the memorandum issued by the Office of Commission Auditor concerning their Audit of Debt Collection Processes, Miami-Dade Fire Rescue submits the following information in response to the sections of the report pertinent to MDR.

Recommendation 1.1

We recommend that MDAD, MDCR, MDR, IT, ISD, Library, PROS, PERA, MDPD, PHCD, PWWM, POM, MDT and WASD send all of their delinquent AR to FDCCS as required by IO 3-9

MDR Response

On page 11, within Section V., Findings and Recommendations, the report notes that MDR does not turn over delinquent Ground Transportation accounts to Finance Department Credit and Collections Section (FDCCS) within 90 of becoming due, as required by IO 3-9. MDR has an interdepartmental agreement with the Finance Department for accounts receivable that states that MDR may hold Ground Transportation accounts for up to one year. This practice will continue due to the fact that private insurance companies and public payers such as Medicare and Medicaid allow up to one year for submittal of valid claims. Since the percentage of collections retained by the private contractor collecting ground transportation fees for MDR is only 2.5% and the FDCCS rate is 30%, it makes economic sense for MDR to allow up to one year for the accounts to be collected by the private contractor. MDR will continue to send all other AR to MDCCS in accordance with IO- 3-9.

Recommendation 1.2

We recommend that MDCR, MDR, ISD, PERA, PHCD, and MDT develop departmental policies and procedures regarding AR collection that reflect IO 3-9

MDR Response

MDR agrees and will develop departmental policies and procedures regarding AR collection that reflect IO 3-9

Response to Commission Auditor Report on Debt Collection Processes
(page 2)

Recommendation 2

We recommend that all departments, including those noted at the September 1, 2011 BCC meeting, keep accurate records of all AR accounts adjusted/written off, and track the subsequent collections and amounts rescued (recovered) of these accounts

MDFR Response

MDFR concurs and will work with our outside vendor and MDCCS to implement this process.

Recommendation 4

We recommend that all departments send all delinquent citations to FDCCS for collections as required by IO 3-9.

MDFR Response

MDFR concurs with this recommendation and will continue sending all delinquent citations to MDCCS as required by IO 3-9. Compliance with this recommendation resulted in MDFR collecting \$1.4 million more in FY 2013 than in FY 2012.

Carrazana, Luis (OCA)

From: Carrazana, Luis (OCA)
Sent: Friday, February 28, 2014 4:04 PM
To: Carrazana, Luis (OCA)
Subject: FW: OCA - Audit of Debt Collection Processes - Final Draft 12-19-13
Attachments: ITD response to OCA AR audit report.pdf

From: Poster-Ellis, Dale (ITD)
Sent: Friday, February 28, 2014 2:28 PM
To: Anderson, Charles (OCA)
Cc: Petisco, Angel (ITD); Padron, Blanca (FIN); Majekodunmi, Yinka (ITD)
Subject: RE: OCA - Audit of Debt Collection Processes - Final Draft 12-19-13

On behalf of Angel Petisco, Director/CIO, attached is ITD's response to the above referenced audit. Should you have any questions, please contact Yinka Majekodunmi, ITD's Budget & Finance Manager at 305.596.8041.

Regards,

Dale Poster-Ellis
Director, Operational Support Services
Information Technology Department
5680 SW 87th Avenue
Miami, Florida 33173
Direct 305.596.8639
Mobile 786.255.1371
[*dpe@miamidade.gov*](mailto:dpe@miamidade.gov)

From: Petisco, Angel (ITD)
Sent: Friday, December 20, 2013 8:40 AM
To: Otero, Jose R. (ITD); Brisbane, Margaret (ITD); Poster-Ellis, Dale (ITD); Perez, Felix (ITD); Schmekel, Lars (ITD); Salazar, Mariaelena (ITD); De Vito, Eelyn (ITD)
Cc: Majekodunmi, Yinka (ITD)
Subject: Fwd: OCA - Audit of Debt Collection Processes - Final Draft 12-19-13

Angel Petisco, CIO/ITD Director
Miami Dade County, Florida

02/27/14

**ITD's response to the OCA AR audit report
Content V (a), Finding 1.1**

OCA's report excerpt (page 9)

V. FINDINGS AND RECOMMENDATIONS

A. Accounts Receivable (AR) excluding Citations

Finding 1. Non-compliance with Implementing Order 3-9.

- 1.1. County departments do not send all of their delinquent AR to FDCCS as required by IO 3-9. County departments selected were not in compliance with IO 3-9 because these departments do not send all of their delinquent AR to FDCCS as required by IO 3-9.¹² (See Table I on page 2 for departments selected).

ITD's response to OCA's recommendation

ITD's internal Account Receivables (AR) policy and procedures for debt collection currently includes the review of aging accounts, sending delinquent notices and scheduling payment plans. In addition to ITD's policy and procedures, ITD's Account Receivables staff's expertise in IT operations and their access to ITD's work order systems is advantageous in addressing request from debtors for clarification of charges, record requests and additional supporting documentation which has been effective in ITD's collection efforts, resulting in the reduction of aging AR balances by 80% since implementation in 2008.

ITD will engage FDCCS in order to evaluate the feasibility of an MOU and the implementation of a process that will include FDCCS as part of ITD's debt collection cycle.

Memorandum

Date: January 16, 2014

To: Charles Anderson, CPA
Commission Auditor

From: Lester Sola, Director
Internal Services Department

Subject: Response to Office of Commission Auditor (OCA) Audit Report of
Debt Collection Processes

Thank you for the opportunity to respond to the final Draft Audit Report of Debt Collection Processes. Below are the responses from the Internal Services Department (ISD) to each of the Findings and Recommendations listed in the above-referenced report.

OCA Finding No. 1

Non-compliance with Implementing Order 3-9

- 1.1 County departments do not send all of their delinquent Accounts Receivables (AR) to Finance Department, Credit and Collection Section (FDCCS) as required by Implementing Order (IO) 3-9.
- 1.2 County departments do not have departmental policies and procedures regarding collection of AR as required by IO 3-9.

OCA Recommendation No. 1

- 1.1 We recommend that Miami-Dade Aviation Department (MDAD), Miami-Dade Corrections and Rehabilitation (MDCR), Miami-Dade Fire Rescue (MDFR), Information Technology Department (ITD), Internal Services Department (ISD), Library, Parks, Recreation and Open Spaces (PROS), Permitting, Environment and Regulatory Affairs (PERA) (currently Regulatory and Economic Resources – RER), Miami-Dade Police Department (MDPD), Public Housing and Community Development (PHCD), Public Works and Waste Management (PWWM), Port of Miami (POM), Miami-Dade Transit (MDT) and Water and Sewer Department (WASD) send all of their delinquent AR to FDCCS as required by IO 3-9.
- 1.2 We recommend that MDCR, MDPR, ISD, PERA (currently RER), PHCD, and MDT develop departmental policies and procedures regarding AR collection that reflect IO 3-9.

ISD Response No. 1

- 1.1 ISD concurs with the OCA recommendation that delinquent ISD accounts be forwarded to FDCCS as required by IO 3-9. Effective June 2012, ISD began referring delinquent accounts to FDCCS. The process for transferring accounts was later formalized through a Memorandum of Understanding (MOU) with FDCCS (Attachment A). This MOU outlines the manner in which accounts would be transferred.
- 1.2 The ISD written departmental policies and procedures regarding AR collections, consistent with IO 3-9, are included as Attachment B.

OCA Finding No. 2

Departments did not track subsequent collections on amounts adjusted/written off on September 1, 2011 as directed by the BCC.

OCA Recommendation No. 2

We recommend that all departments, including those noted at the September 1, 2011 BCC meeting, keep accurate records of all AR accounts adjusted/written off, and track the subsequent collections and amounts rescued (recovered) of these accounts.

ISD Response No. 2

While ISD was not one of the departments that submitted adjustment/write off amounts to the BCC on September 1, 2011, ISD does concur with the recommendation that adjustments and write offs be tracked by account, and that subsequent collections and amounts recovered on these accounts be recorded and tracked. ISD systems comply with these requirements.

OCA Finding No. 3

FDCCS incentives require improvement.

OCA Recommendation No. 3

We recommend that the FDCCS Productivity and Revenue Generation Program (revenue generation and gainsharing agreement) provide for increased incentives or be uncapped with no ceiling.

ISD Response No. 3

N/A

OCA Finding No. 4

Code enforcement citations are not being actively collected by departments.

Except for Sustainability, Planning and Economic Enhancement (now part of Regulatory and Economic Resources) and Animal Services Department's citations, which are sent to FDCCS when they become delinquent, code enforcement citations were not being actively collected by selected County departments or sent timely to FDCCS. Proactive, systematic collection efforts, as those routinely performed at FDCCS, were not being followed by these departments.

OCA Recommendation No. 4

We recommend that all departments send all delinquent citations to FDCCS for collection as required by IO 3-9.

ISD Response No. 4

ISD concurs with the finding that delinquent code enforcement citations were not sent timely to FDCCS. However, ISD does not concur with the finding that code enforcement citations were not being actively collected. Within ISD, code enforcement citations only apply to the ISD Office of Elevator Safety (OES). The OES is responsible for regulating elevator equipment throughout Miami-Dade County, under contract with the State of Florida, Bureau of Elevator Safety. Compliance and collection efforts are pursued by the OES through phone calls, site visits, monthly statements and e-mail notifications. The OES issues Notices of Violations and Administrative Fines (summons) regulated by and in accordance with Florida Statute, if corrective action is not taken by violators. The summons imposes a fine which is managed and collected by the Clerk of Courts (COC) on behalf of ISD. The COC sends an additional notice to violators and handles the scheduling of hearings for those seeking to appeal a citation. ISD staff works in conjunction with the COC and County Attorney's Office in code enforcement and

Charles Anderson

Response to Audit Report on Debt Collection Processes

Page 3

collection efforts. ISD monitors collections by account and is now routinely coordinating with the Clerk of Courts the transfer of delinquent citations to FDCCS, in accordance with the ISD Memorandum of Understanding (MOU) with FDCCS.

Thank you for the professionalism of you and your staff in completion of this audit.

c: Edward Marquez, Deputy Mayor/Finance Director
Blanca Padron, Deputy Director, Finance Department
Fernando Casamayor, Tax Collector
Leland Salomon, Assistant Director, ISD
Mike Iturrey, Division Director, Administration and Business Services, ISD
Jerry Hall, Division Director, Facilities and Utilities Management Division, ISD
Celia Hudson, Administration and Business Services Manager, ISD

Attachments


Attachment A

Memorandum



Date: July 17, 2013

To: Edward Marquez
Deputy Mayor

From: Lester Sola, Director
Internal Services Department 

Subject: Request for Approval of Memorandum of Understanding
between the Internal Services Department and the
Finance Department, Credit and Collection Section

Attached for your review and approval is a Memorandum of Understanding (MOU) between the Internal Services Department (ISD) and the Finance Department, Credit and Collection Section (FDCCS). The FDCCS will handle collection of outstanding debts from non-County agencies, vendors and contractors. The MOU outlines the manner in which outstanding debts will be referred to FDCCS by ISD and how reporting and collection processes will be handled. The MOU will be valid for FY 2012-13 and will automatically renew annually unless either party provides a sixty (60) day written notice of termination.

The MOU was developed in conjunction with Dennise Suarez, Executive Assistant to the Finance Director and Christina Mekin, Finance Credit and Collection Manager.

If you have any questions, please do not hesitate to contact me at 305-375-2363.



Memorandum of Understanding (MOU)
Between
Miami-Dade County Internal Service Department
And
Miami-Dade County Finance Department, Credit and Collections Section

The Miami-Dade County Internal Services Department (ISD) and the Miami-Dade County Finance Department, Credit and Collections Section (FDCCS), hereby enter into this Memorandum of Understanding (MOU) whereby FDCCS will collect outstanding debts owed to ISD pursuant to County, State and Federal Laws regarding the collection of debt. In accordance with Miami Dade County Implementing Order (IO) 3-9, which became effective September 14, 2011, all future outstanding debts will be referred to FDCCS by ISD after any debt has become over 90 days past due, and via electronic file format provided by FDCCS. Certain accounts that involve unique collection efforts as described below, will be transferred at the discretion of ISD. This MOU provides for required reporting, collection fees, debt write-off procedures, terms of agreements and provisions for private collection services.

FDCCS will address collection of bad debt from non-County agencies (with the exception of municipalities), vendors and contractors, on behalf of ISD for accounts associated with billings for departmental services, fees and citations as follows:

- a. Fees and charges for services as outlined in the annual Operating Budget Submission Manual issued by the Office of Management and Budget (OMB), including but not limited to:
 - i. Rent payments
 - ii. Security alarm services
 - iii. Lease charges
 - iv. Fleet billings
 - v. Graphic signage work
 - vi. Printing
 - vii. Interior design work
 - viii. Utility Fees
 - ix. Generator maintenance

b. Citations for Elevator

The authority to regulate elevator equipment, and to impose fees and assess and collect fines as part of its enforcement activities is delegated by an interagency agreement with the State of Florida, Department of Business and Professional Regulation under Section 399.13 Florida Statutes and County Resolution No. R-14-11. Citations issued by ISD are forwarded to the Clerk of Courts (COC) for management, appeals and collection. After the COC and ISD have exhausted collection efforts, ISD will request that any open, unappealed summons be forwarded to FDCCS for collection on behalf of ISD.

Enforcement and administrative fines will be forwarded to FDCCS as follows:

- i. Fines which are uncontested and unpaid will be forwarded 120 days following the payment deadline shown on the summons
- ii. Fines which have been appealed will be forwarded after the appeal hearing has been conducted and adjudication is determined



- iii. Fines which are appealed and have been affirmed by the hearing officer will be forwarded 120 days following the payment deadline established in the hearing process, except those accounts covered under a payment plan.
- c. Fees for Certificates of Operations and Inspection Services
 - i. Unpaid fees for elevator certificates and associated late fees will be transferred 120 days after the due date of the late fee
 - ii. Unpaid fees associated with elevator inspections performed for private owners will be transferred after 120 days, unless the fees are contested for cause by the owner.
- d. User Access Program (UAP)

Pursuant to Miami-Dade County Ordinance No. 12-12, the UAP requires the deduction of two percent (2%) from vendor invoices associated with specific ISD established contracts. Manual invoices are processed in cases where UAP deductions are not automatically effected from a vendor's invoice. Accounts where collection efforts do not yield results or those that involve legal action will be transferred once all other efforts have been exhausted.
- e. Other accounts involving legal action and coordination with the County Attorney's Office to facilitate payment of funds due to Miami-Dade County will be transferred once all legal efforts have been exhausted, and if legally allowable.

Scope of Services:

- 1. The FDCCS shall address collections as referenced above - whether through their in-house staff of collectors and paralegals; or through a third party. FDCCS paralegals may also pursue small claims court cases on balances under \$5,000.00.
- 2. Fees charged by FDCCS: Fee for in-house collection shall be 30% of the total amount of the debt collected.
- 3. As part of the collection efforts FDCCS shall provide ISD, at no additional cost to ISD, with monthly reports on the 10th of each month identifying the account status and revenue collected from past due settlement costs resulting from collection cases that has been referred to FDCCS. Report(s) shall also identify any pre-arranged partial payments and associated payment schedules.
- 4. Once in-house options have been exhausted, the FDCCS may refer accounts to outside collections agencies or law firms for their assistance in collections. In addition to the fee charged by the outside collection agency, an administrative fee in the amount of ten (10) percent of the total value of the debt collected will be assessed. If the first collection agency who is assigned an account is unsuccessful, the account will be forwarded to a secondary collection agency for handling. The total fee charged by FDCCS (and third parties if applicable) shall never exceed fifty (50) percent of the total accrued value of the outstanding debt. Residuals to be returned to ISD shall meet at least fifty (50) percent of the total collected amount. Monthly reports on outside collections identifying the account status, revenues collected plus applicable fees shall be provided to ISD at no cost.



5. Law suits on balances owed to ISD exceeding the \$5,000.00 limit may be referred to outside law firms for collection with the approval of ISD. If litigation is necessary and upon receiving notice to proceed from ISD, the FDCCS shall advance court costs on behalf of ISD. Charges will reflect actual litigation costs with no additional administrative or processing fees; these will be deducted from the following month's remittance to ISD. Any monies recovered in this collection process shall first be used to satisfy the litigation costs, with the remainder of any collection being distributed as set forth in paragraph 4.
6. The FDCCS is granted settlement authority to reduce a debt by up to 50% of the outstanding debt or accumulated penalties. Original Certificates of Operation, associated late fees, and citation amounts are not subject to settlements. Additionally, any settlements beyond the 50% threshold shall require written approval from the ISD Director or the ISD Director's designee.
7. Net revenue collections shall be remitted monthly to ISD via a journal entry to revenue index code IDRCCSCOLL. Net revenue collections for citations/fines will be remitted monthly to the COC on behalf of ISD, via journal entry to revenue index code CLR060400000,
8. All payments received at ISD after an account is assigned to FDCCS, and where collection efforts have begun, are commissionable as per the terms of this MOU. ISD will provide FDCCS a monthly report of all payments received by ISD on any outstanding debt that has been assigned to FDCCS. The FDCCS collection fee shall be deducted by FDCCS from the following month's remittance to ISD.
9. FDCCS may obtain a judgment on an account or otherwise place a lien on real property during the course of collecting an account. Thereafter, FDCCS will retain the placement of that account until paid-in-full.
10. Should ISD receive any inquiry or request for settlements on accounts where the FDCCS has initiated the collection process, the non-compliant party must be referred to FDCCS for resolution.
11. At its sole discretion, FDCCS and/or its collection agents may report to the credit bureau(s) on any or all of the debts referred for collection, with the exception of rescue transport debts.
12. Write-off of bad debts shall be made pursuant to the requirements of Implementing Order 3-9. ISD is responsible for all write-offs and for all other follow-up pursuant to Implementing Order No. 3-9.
13. ISD is the only department authorized to request elevator citation data transfers from the Clerk of Courts (COC) to FDCCS for collection of fees from citations. Upon formal request from ISD, COC will automatically transfer outstanding code violations with no payment activity to FDCCS for collection.
14. ISD is responsible for verification of debts when such verification documentation is requested. FDCCS will continue to attempt collection on all debts for which documentation can still be retrieved (if needed) and ISD will retain documentation to support any debts that have not been recalled by ISD from FDCCS.



ISD Contact Information:

Collection and accounting issues: Tekela Clark, Accounting Section Manager - 305-375-4142
Elevator collection and citation issues: Michael Chavez, Office of Elevator Safety - 305-375-3912
Escalated Issues: Mike Iturrey, Administration and Business Services Division Director - 305-375-1990
Celia Hudson, Administration and Business Services Manager - 305-375-2898

FDCCS Contact Information

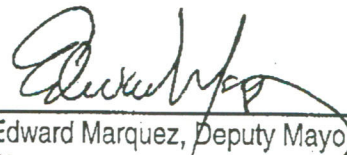
Accounting issues: Norma Mergelsberg, Accountant III - 786-469-2835
Collection issues: Jack Galindo, Supervisor - 786-469-2833
Escalated Collection Issues: Cristina Mekin, Credit & Collection Manager - 786-469-2807

Term:

This MOU is valid for FY 2012-13 and shall automatically renew annually unless either party provides a sixty (60) day written notice of termination.



Lester Sola, ISD Director
Signature



Edward Marquez, Deputy Mayor/Finance Director
Signature

Date: _____

Date: _____

Attachment B



Internal Service Department

Accounts Receivable Collection and Write-Off Procedures

(Updated 1/15/14)

Purpose:

To establish uniform guidelines and principles for the internal control, collection and write-off of accounts receivable held or administered by the Internal Service Department (ISD) for non-County accounts. Policies contained herein are designed to comply with applicable State and Miami-Dade County laws, rules and regulations.

Authority:

Miami-Dade County Implementing Order 3-9

Definitions:

- a. Accounts Receivable – A record reflecting amounts due from customers/vendors, contractors, employees or other responsible parties for goods and services furnished by the Department, as well as, amounts assessed and due for consent orders, judgments or settlements. These amounts include fees, reimbursement for services rendered, penalties, damages and reimbursements of costs for enforcement actions brought on behalf of the Department or as a result of an accident involving Department owned property.
- b. Accounts Receivable Aging – Periodic report that categorizes a Department's accounts receivables according to the length of time an invoice has been outstanding.
- c. Debt – An obligation to pay.
- d. Delinquent Account - An Account Receivable becomes delinquent when payment is not received in accordance with conditions giving rise to the receivable. Thus, if payment is not made in an amount at least equal to that required or within the time specified for the account, such account is delinquent. The Department identifies an account as "past due" if not paid within thirty (30) days of the due date. If not paid within ninety (90) days following its due date, the account is considered "delinquent".
- e. Doubtful Account - Allowance for Doubtful Accounts measures receivables recorded but not expected to be collected. An allowance is established to estimate the value of those receivables believed to be uncollectible.
- f. Fiscal Year – The County's fiscal year covers a 12 month period from October 1 through September 30.
- g. Financial Accounting Management Information System (FAMIS) – The official accounting information system for Miami-Dade County.
- h. Internal Control – Policies and procedures established to provide reasonable assurance that specific objectives are achieved using Generally Accepted Accounting Principles (GAAP) and Auditing standards.
- i. Trial balance – A record containing all the accounts needed to reflect the financial position and the results of operations for the department/division.

Policy:

The Accounting Section of the Internal Services Department (ISD), Administration and Business Services Division is responsible for coordination of the accounts receivables function and management of the ISD Accounts Receivable System used to report accounts receivable data and information. All ISD divisions involved in the collection of fees, fines, reimbursements, etc. are required to coordinate collection activities through the ISD, Administration and Business Services (ABS) Division, Accounting Section to ensure uniformity of processes, proper controls and segregation of duties, and for proper reporting of Accounts Receivables.

In all cases, the exercise of due diligence in collecting an account requires prompt notification of the account's past due status to the obligee and request for payment. Every effort shall be made to collect a debt prior to it falling into the delinquent category.

The Department's internal accounting control systems must accommodate a subsidiary accounts receivable ledger that is reconcilable to the County's General Ledger System, and which can monitor changes in customer accounts on a monthly basis, including an aging.

The Accounts Receivable Collection and Write-Off Procedures describe the steps that are necessary to monitor and pursue the collection of payments from vendors, customers, employees, etc., when payments are past due. Additionally, procedures explain the process for settling and writing off/adjusting accounts.

Collection Procedures:

On a monthly basis, Accounting Section staff reviews the status of payments to confirm whether they have been posted in the AS400 Accounts Receivable system and in FAMIS. Following this review, staff will identify unpaid invoices and resolve them through the collection process. There may be numerous reasons for delinquent account balances and late payments from vendors, customers and clients, including but are not limited to:

- Insolvency or bankruptcy of firm
- Financial constraints resulting in limited funds available to make payments
- Remittance of a partial payment
- Invoice was never received by the appropriate person or was mailed to the wrong address
- Disputes concerning services rendered and/or payment amount due

The Accounting Section staff will address past due and delinquent accounts as follows:

The Accounting Section Manager will review all pending accounts on a monthly basis. Accounts over 90 days will be reviewed with the Administration and Business Services Division Director with the log detailing all attempts to collect funds due to the County. Consistent with IO 3-9 and the ISD Memorandum of Understanding (MOU) with the Finance Department, Credit and Collection Section (FDCCS), delinquent non-County accounts (with the exception of municipality accounts) will be transferred to FDCCS. Accounts will be transferred to FDCCS as outlined in the MOU. The Finance Department will be notified in the quarterly report "Summary of Accounts over 90 Days and greater than \$2,500" of accounts that were not transferred due to settlements, legal actions or other appropriate reasons.

The AS400 Accounts Receivable system produces a monthly "Aging Report" of all outstanding balances at the end of each month. Reports from the system will be used by staff in the Accounts Receivable Section to conduct appropriate collection efforts as noted:

1. Invoices less than 30 days outstanding
No action required.
2. Invoices between 30 – 60 days outstanding
 - a. The customer is contacted by telephone and/or e-mail concerning the past due account balance, the requirement for immediate payment and the reason for payment delay. The attempted contacts, successful contacts and responses must be documented in the AS400 Accounts Receivable system by date.
 - b. The appropriate staff from the respective division where services were provided will be copied in the e-mail to the customer and requested to assist in collection efforts, if feasible.
3. Invoices between 60-90 days outstanding
 - a. The customer is contacted by telephone and e-mail or letter concerning the past due account balance, the requirement for immediate payment and the reason for payment delay. The attempted contacts, successful contacts and responses must be documented in the AS400 Accounts Receivable system by date.
 - b. The appropriate staff from the respective division where services were provided will be copied in the e-mail to the customer and requested to assist in collection efforts, if feasible.
 - c. If the customer commits to a payment plan or to sending payment within the 90 day period, the account will be closely monitored until full payment is made. If payments from non-County agencies (except municipalities) are not made within the 90 day period or if there is a default on the payment plan, the accounts will be transferred to the FDCCS in accordance with the MOU.
 - d. Collection efforts on all other accounts will continue until collection efforts have been exhausted. Collection efforts involving other County departments and municipalities will be escalated by the ISD Director, Assistant Director, Division Director or Manager to the appropriate staff in that department/agency and/or through the Office of Management and Budget (OMB). Additionally, delinquent accounts requiring legal action will be coordinated through the County Attorney's Office (CAO).

Contract language shall be included in all County contracts providing the County with the ability to offset amounts due to a vendor/supplier/grantee if money is owed to the County.

Efforts shall be made, in accordance with the Accounts Payable Section of the Finance, Aviation, Water and Sewer Departments, and Public Housing and Community Development to determine whether or not the County has any amounts due to the customer, arising from a vendor/supplier relationship or otherwise, that shall be withheld. As stipulated in County contracts, the Department Directors shall offset amounts due to a vendor/supplier/grantee if money is owed to the County. This shall be accomplished through issuance of a credit memo in accordance with County procedures.

Allowance for Doubtful Accounts

An allowance for doubtful accounts will be established at the end of the fiscal year to estimate the value of those receivables believed to be uncollectible.

Adjustment to Accounts Receivable (Write-off of Accounts) (applies to non-County accounts)**Accounts \$2,500 and under**

Consistent with IO 3-9, accounts \$2,500 and under will be adjusted with authorization of the ISD Director. A detailed listing of customer accounts to be adjusted will be maintained, along with appropriate supporting documentation and approval by the ISD Director. This listing will be incorporated with the fiscal year-end closing work papers. The actual adjustment procedure will be performed prior to July to coincide with the write-off of items required for presentation to the Finance Director, Mayor and Board of County Commissioners (Board).

Accounts in excess of \$5,000

Consistent with IO 3-9, accounts in excess of \$5,000 and under \$10,000 will be adjusted with authorization of the Finance Director. A detailed listing of customer accounts adjusted will be maintained along with appropriate supporting documentation and approvals from the ISD Director and Finance Director. This listing will be incorporated with the fiscal year-end closing work papers. The actual adjustment procedure will be performed prior to July to coincide with the write-off of items required for presentation to the Mayor and Board.

Accounts in excess of \$10,000

Consistent with IO 3-9, accounts in excess of \$10,000 and under \$25,000 will be adjusted with authorization by the County Mayor. A detailed listing of customer accounts to be adjusted will be maintained, along with appropriate supporting documentation and approvals from the ISD Director and Mayor approval. This listing will be incorporated with the fiscal year-end closing work papers. The actual adjustment procedure will be performed prior to July to coincide with the write-off of items required for presentation to the Board.

Accounts that exceed \$25,000

Consistent with IO 3-9, accounts in excess of \$25,000 will be adjusted with authorization by the Board. A detailed listing of customer accounts to be adjusted will be maintained, along with appropriate supporting documentation and approvals from the ISD Director and Board. This listing will be incorporated with the fiscal year-end closing work papers.

Continued Collection Efforts after Adjustments (Write-offs)

The adjustments of accounts receivables of a customer account from the accounting records does not preclude continuing collection efforts, to the extent deemed practicable under the circumstances and considering the nature and value of services provided by the County.

The adjustments of an uncollectible account receivable is not considered a total forgiveness of debt; customers for whom accounts have been declared uncollectible in excess of \$25,000 or as stipulated by

contractual agreement shall not be considered for future business relationships with the County until restitution has been made or agreed to. Actions to the contrary shall be fully documented and submitted to the Finance Director for review and concurrence.

Reporting of Delinquent Accounts to the Registry of Delinquent Contractors

Accounts receivables for County vendors/suppliers that exceed \$25,000 and have been delinquent for greater than 180 days will be listed on the County's Registry of Delinquent Contractors in accordance with Ordinance 99-162, Registry of Delinquent Contractors, or any other County established policies and procedures, Implementing Orders or Administrative Orders. The Accounting Section Manager or designee is responsible for reporting delinquent contractors to the Finance Department.

Settlements

Settlement of accounts receivable means the department accepts less than the full amount of a debt as recorded in an accounts receivable account. The County cannot settle a debt by agreeing to accept \$0. However, a debt may be settled for less than the full amount under the conditions outlined in IO 3-9. Appropriate accounting entries, prepared in accordance with GAAP, must be made to adjust the affected accounts receivable to reflect the results of the settlement process. A report and any other detailed documentation of the settlement agreement, including the Department Director's written approval, shall be forwarded to the directors of the Finance Department, Office of Management and Budget, and Audit and Management Services Department. The Department Director reserves the right to delegate authority to settle accounts.

Corrections that reduce a fee by reason of error in the assessment or recording of the fee shall not be regarded as a settlement or default. However, any such adjustments to the accounts shall be supported by documentation explaining the reason for the adjustment signed by the department director. The Department Director reserves the right to delegate authority to adjust accounts due to errors.

Filing and documentation

Accounts receivable documentation will be maintained in accordance with State retention periods. Additionally, account information will be maintained until payment to the account has been made or the account has been written off.

Adjustments to accounts, settlements and correction of errors to accounts will be appropriately documented in files and the Accounts Receivable system.

Carrazana, Luis (OCA)

From: Carrazana, Luis (OCA)
Sent: Friday, February 14, 2014 4:02 PM
To: Carrazana, Luis (OCA)
Subject: FW: Audit of Debt Collection Processes: Miami-Dade County - Final Draft for Management Review and Comments

From: Alvarez-Cleary, Suzet (LIB)
Sent: Wednesday, January 22, 2014 1:48 PM
To: Singh, Neil R. (OCA)
Cc: Santiago, Raymond (LIB); Martinez, Lisa M. (Office of the Mayor)
Subject: RE: Audit of Debt Collection Processes: Miami-Dade County - Final Draft for Management Review and Comments

Neil,

Below are the responses from the Library Department. I believe that only finding # 1 & #2 apply to the Library Department. Please confirm.

Also, please let me know if you need any additional information.

Thanks
Suzet

Finding 1: The Library Department concurs with the findings. However, due to the nature of outstanding accounts in the Library Department it is critical that the Department use an outside agency that is able to place emphasizes on the return of lost books and materials to the Library.

Finding 2: We concur with the recommendations. However, the accounts that were written off from the Library Department were accounts that were past due for a significant number of years. The Department had exhausted all resources in order to collect these past due accounts without yielding any results.

Carrazana, Luis (OCA)

From: Carrazana, Luis (OCA)
Sent: Tuesday, February 18, 2014 4:26 PM
To: Carrazana, Luis (OCA)
Subject: FW: OCA - Audit of Debt Collection Processes - Final Draft 12-19-13

From: Kardys, Jack (MDPR)
Sent: Saturday, January 25, 2014 5:53 AM
To: Anderson, Charles (OCA)
Cc: Marquez, Edward (Office of the Mayor); Kruse, J. Carol (MDPR)
Subject: FW: OCA - Audit of Debt Collection Processes - Final Draft 12-19-13

Charles, as requested by Denise, below are the PROS responses to the two audit findings that included PROS.

1. Finding 1

Miami-Dade Parks, Recreation, and Open Spaces Department (PROS) endeavors to recover all receivables as effectively as possible. In the vast majority of cases, we forward delinquent accounts receivable in compliance with Implementing Order 3-9. However, the 90 day requirement, infrequently, imposes a counterproductive deadline, particularly for institutional partners. For example, if a public school, university, local or state government agency, corporate client, or programming partner has a an occasional delay, we will review the circumstance on a case-by-case basis. Otherwise, it is PROS policy to process delinquent accounts to Finance Department Credit and Collections Section, after the 90 day window, in a timely manner.

2. Finding 2


Of the sixty-one (61) accounts, totaling \$112,080.23, the County recovered no (\$0.00) funds between approval of the write-off on September 1, 2011 and February 29, 2012, six months later.

Memorandum



Date: January 22, 2014

To: Edward Marquez, Deputy Mayor/Director
Finance Department

From:  J.D. Patterson, Director
Miami-Dade Police Department

Subject: Response to Findings and Recommendations to Audit of Debt Collection Processes

The Miami-Dade Police Department (MDPD) has reviewed each audit finding and recommendation listed in the *"Audit of Debt Collection Processes: Miami-Dade County – Final Draft for Management Review and Comments"* memorandum dated December 19, 2013, based on the audit conducted by the Office of the Commission Auditor.

We have addressed below each finding and recommendation and have indicated: (1) whether the Department does or does not concur with each recommendation and (2) the Department's comments and plans to address the recommendations.

Finding 1:

Non-compliance with Implementing Order (IO) 3-9.

- 1.1. County departments do not send all of their delinquent AR to FDCCS as required by IO 3-9.
- 1.2. County departments do not have departmental policies and procedures regarding collection of AR as required by IO 3-9.
- 1.3. MDCR did not have an aging of AR as required by IO 3-9.

Recommendation:

- 1.1. We recommend that MDAD, MDCR, MDFR, IT, ISD, Library, PROS, PERA, MDPD, PHCD, PWWM, POM, MDT, and WASD send all of their delinquent AR to FDCCS as required by IO 3-9.
- 1.2. We recommend that MDCR, MDFR, ISD, PERA, PHCD, and MDT develop departmental policies and procedures regarding AR collection that reflect IO 3-9.
- 1.3. We recommend that MDCR monitor changes in customer accounts, on a monthly basis, including an aging of amounts owed, in accordance with IO 3-9.

MDPD Response:

- 1.1: MDPD does not concur with this finding. MDPD is in compliance with Implementing Order (IO) 3-9 since the Department does forward the majority of all delinquent accounts receivable (AR) not paid within ninety (90) days of the due date to the Finance Department's Credit and Collections Section (FDCCS). MDPD has a fully executed Memorandum of Understanding (MOU) as of September 25, 2012, with FDCCS which includes fiscal year 2011-12. Also, there is a business understanding between our Department and FDCCS that a few of our delinquent accounts may be kept and handled directly by MDPD due to constant collection efforts resulting in payment of the outstanding debt or establishment of a payment plan agreement. However, once all collection efforts have been fully exhausted by MDPD and no payment agreement has

been reached with the customer, the account is usually then forwarded to FDCCS within a six month period.

- 1.2: MDPD was not cited in this finding since we have departmental policies and procedures regarding collection of AR as required by IO 3-9.
- 1.3: MDPD was not cited in this finding since we maintain an aging of AR. However, this finding only pertains to Miami-Dade Corrections and Rehabilitation (MDCR).

Finding 2:

Departments did not track subsequent collections on amounts adjusted/written off on September 1, 2011 as directed by the BCC.

Recommendation:

We recommend that all departments, including those noted at the September 1, 2011 BCC meeting, keep accurate records of all AR accounts adjusted/written off, and track the subsequent collections and amounts rescued (recovered) of these accounts.

MDPD Response:

MDPD does not concur with this finding. Prior to the September 25, 2012, MOU between MDPD and the Finance Department, the FDCCS was our service billing provider for the thirty-six (36) accounts presented and approved by the Board of County Commissioners (BCC) for write-off on September 1, 2011. Our office maintains a detail spreadsheet for the accounts written off which provides the reason why no subsequent collection efforts were made. Also, it is our understanding that FDCCS exhausted all collection efforts as our billing provider for these accounts since the majority of businesses and/or organizations listed in the write-off report could not be located or had filed for bankruptcy.

Finding 3:

FDCCS incentives require improvement.

Recommendation:

We recommend that the FDCCS Productivity and Revenue Generation Program (revenue generation and gainsharing agreement) provide for increased incentives or be uncapped with no ceiling.

Response:

MDPD was not cited in this finding since the recommendation is not applicable to our Department.

Finding 4:

Code enforcement citations are not being actively collected by departments.

Recommendation:

We recommend that all departments send all delinquent citations to FDCCS for collection as required by IO 3-9.

Response:

MDPD does not concur with this finding. Code enforcement citations for MDPD are actively collected by the Clerk of Circuit and County Court Code Enforcement, and they send all MDPD delinquent citations (over 90 days past due) to FDCCS for collection as required by IO 3-9.

Finding 5:

Significant problems exist in the ASD origination of citations' internal controls and data entry procedures.

Response:

MDPD was not cited in this finding since it pertains to the Animal Services Department (ASD).

If you have any questions or concerns, please do not hesitate to contact Executive Senior Bureau Commander Joy Stewart, of our Fiscal Administration Bureau, at (305) 471-2520.

JDP/js

Memorandum



Date: January 21, 2014

To: Charles Anderson, CPA
Commission Auditor

From: Bill Johnson, Director
Seaport Department

Subject: Audit of Debt Collection Processes - POM (PortMiami)

A handwritten signature in blue ink, appearing to read "Bill Johnson", written over the "From:" field.

As required by Ordinance 03-2 and Section 2-478, Code of Miami Dade County, below please find the response to the findings and recommendations on the above subject.

Recommendation 1.1 - POM to send all of their delinquent AR to FDCCS as required by IO 3-9.

The Department has revised its procedures to include the timely submittal of delinquent AR to FDCCS. The latest quarterly report was submitted to FDCCS on January 14, 2014, for the period from October through December 2013, thus the Department is in compliance with IO 3-9.

Recommendation 2- POM to keep accurate recods of all AR accounts adjusted/written off, and track the subsequent collections and amounts rescued (recovered) of these accounts.

The Department will revise its procedures to include the timely reporting of subsequent collections and amounts recovered of these accounts. As of the date of this report, no amounts have been recovered.

In Section V, (A), 1.1., page 10, the Audit Report makes no mention that in fiscal year 2012, the Department entered into a Memorandum of Understanding (MOU) with FDCCS that automatically renews annually.

C: Blanca Padron, Finance Deputy Director

ATTACHMENT XI

From: Fortner, Gregg (PHCD)
Sent: Friday, March 07, 2014 1:27 PM
To: Anderson, Charles (OCA)
Cc: Marquez, Edward (Office of the Mayor); Benford, Russell (Office of the Mayor); Clay, Craig L. (PHCD); Grice, Sonia J. (Office of the Mayor)
Subject: draft response to Commission Auditor report

Hey Charles. Following is PHCD response to subject report. Let me know if you need anything else.....

Finding 1.1: Non-compliance with Implementing Order (I.O.) 3-9.

About 95% of our accounts receivable is related to mortgage receivables and commercial loans. The mortgage assistance provided by the Department is primarily in the form of a subordinate mortgage which holds relatively little weight in a foreclosure proceeding. The department's approach is typically not to place stern collection demands; instead the approach is to work with the client to get the mortgage current through a variety of available payment assistance methods.

Accounts transferred to Credit and Collections Section include the commercial loans of the Community Development Revolving Loan Fund (CDRLF), Hialeah Road Impact Loan Program, Empowerment Zone (EZ), DEEDCO, and the Urban Task Force Stability Loans were inherited by PHCD and were already delinquent upon the transfer of the portfolio. The businesses included in the write off are closed and there is no evidence that there were any personal guarantees used as collateral for any of these loans.

The balance of the portfolio is made up of tenants who vacated a property with a balance and a tenant of the Section 8 program who has an outstanding balance. Tenants who vacate public housing with a balance and Section 8 tenants who have an outstanding balance and are no longer in the program are placed into a system called the Enterprise Income Verification (EIV) system. One of the purposes of this system is to assist Public Housing Authorities (PHAs) across the country in sharing collection information. If a tenant leaves a PHA owing a balance, they are listed in this system and cannot receive any additional assistance until the issue is resolved. This policy is used by the department.

Finding 1.2: County departments do not have departmental policies and procedures regarding collection of AR as required by I.O. 3-9.

Our internal policies outline the procedures put in place for collection of delinquent mortgage accounts and our write-off process for these accounts.

Finding 2: Departments did not track subsequent collections on accounts adjusted/written off on September 1,2011 as directed by the BCC.

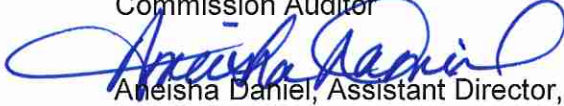
Subsequent collections of accounts adjusted/written off on September 1, 2011 were provided to Luis Carrazana.

Memorandum



Date: March 5, 2014

To: Charles Anderson, CPA
Commission Auditor

From: 
Aneisha Daniel, Assistant Director, Administration
Public Works and Waste Management Department

Subject: Response to Audit on Debt Collection Processes

Pursuant to the December 19, 2013 audit report conducted by the Office of Commission Auditor, the Public Works and Waste Management (PWWM) submits the following response to the findings reflected in the report relevant to PWWM's non-compliance.

Finding 1. Non-compliance with Implementing Order 3-9.

1.1. County departments do not send all of their delinquent AR to FDCCS as required by IO 3-9.

Response:

The Department currently has a MOU agreement with the Finance Department Credit and Collections Section (FDCCS) for all code enforcement accounts beyond 90 days. Currently the department does not forward the delinquent waste collection accounts to FDCCS. These accounts go through a legal process which includes the County Attorney's Office, the Courts, and Special Masters.

The Department met with FDCCS management in July 2012 to evaluate the benefits of sending waste collection accounts to FDCCS, but found it would be a disadvantage considering the 30% fee charged by FDCCS (which would result in a discounted cash collection to the Department as compared to the full fees collected by the legal process).

Finding 2. Departments did not track subsequent collections on amounts adjusted/written off on September 1, 2011 as directed by the BCC.

Response:

Due to the circumstances of the write-offs, two of the three businesses went out of business and one settled with the County which resulted in no available subsequent collection efforts to be pursued by the Department. Therefore, there is no information to be tracked by the Department.

Additionally, the Department forwarded information on two occasions (February 28, 2012 and March 16, 2012) indicating that there were no additional collection efforts for these accounts.

cc: Alina T. Hudak, Deputy Mayor/Interim Department Director, PWWM
Maria Sanchez, Controller, PWWM

ATTACHMENT XIII

From: Erml-Martinez, Christa (RER)

Sent: Tuesday, January 28, 2014 12:54 PM

To: Carrazana, Luis (OCA)

Cc: Anderson, Charles (OCA); Osterholt, Jack (Office of the Mayor); Marquez, Edward (Office of the Mayor); Gomez, Lourdes (Office of the Mayor); Morlote, Mario F. (Office of the Mayor)

Subject: RER Response to OCA's Audit of Debt Collection Processes

Hi Luis:

Following is RER's response to the Office of Commission Auditor's Audit of Debt Collection Processes dated December 19, 2013 (hereinafter referred to as the Audit Report):

We thank the Office of Commission Auditor for their work on this Audit Report and their time in discussing its findings with our Department. Recommendations 1 and 4 of the Audit Report refer directly to RER. Those recommendations are cited below, together with the Department's response:

Recommendations

- 1.1 We recommend that MDAD, MDCR, MDFR, IT, ISD, Library, PROS, PERA, MDPD, PHCD, PWWM, POM, MDT, and WASD send all of their delinquent AR to FDCCS as required by IO 3-9
- 1.2 We recommend that MDCR, MDFR, ISD, PERA, PHCD, and MDT develop departmental policies and procedures regarding AR collection that reflect IO 3-9" (Audit Report, page 13)

Recommendation 1.1 RER response: This recommendation relates to the Environmental Resources Management (DERM) and the Construction, Permitting, and Building Code (CPBC) Divisions of RER (these divisions formerly comprised the PERA Department cited above). RER concurs that delinquent AR should be sent to FDCCS as required by IO 3-9; however, RER does not currently have outstanding AR that require forwarding to FDCCS for collection. RER has outstanding debts that relate to the Department's citation/enforcement processes, and those debts will be discussed in our response to Audit Report Recommendation 4 below.

Recommendation 1.2 RER response: This recommendation applies to the Environmental Resources Management (DERM) and the Construction, Permitting, and Building Code (CPBC) Divisions of RER (these divisions formerly comprised the PERA Department cited above). RER concurs with the recommendation, and we will establish policies and procedures so that if RER has outstanding AR they will be processed in a manner that reflects the requirements of IO 3-9.

Recommendation 4.

We recommend that all departments send all delinquent citations to FDCCS for collection as required by IO 3-9." (Audit Report, page 19)

Recommendation 4 RER response: RER concurs that our enforcement and collection efforts may be further enhanced by working with FDCCS on outstanding citations, and RER is currently finalizing an MOU between DERM, CPBC, and FDCCS to realize the benefits of a coordinated effort. Please note that RER's Division of Business Affairs already has an MOU with FDCCS to actively collect code enforcement citations, and that arrangement is working well.

Thank you for your consideration of the above. Please do not hesitate to contact me should you require further information.

Sincerely,

Christa C. Erml-Martinez, Assistant Director
Department of Regulatory and Economic Resources
Administrative Services
701 NW 1st Court, 4th floor, Miami, Florida 33136
(305) 372-6960 (305) 372-6760 Fax

Memorandum



Date: January 28, 2014

To: Charles Anderson, CPA
Commission Auditor

From: Ysela Llort
Director, Miami-Dade Transit

Subject: Audit of Debt Collection Processes: Miami-Dade County

Thank you for the opportunity to respond to your audit. We have reviewed the report and findings. Responses to the two findings related to Miami Dade Transit (MDT) are listed below:

Finding

1.1 County departments do not send all of their delinquent AR to FDCCS as required by IO 3-9.

MDT Response

We concur with this finding as it relates to MDT. In January 2014, we executed a Memorandum of Understanding (MOU) between Finance Department's Credit and Collection Section (FDCCS) and MDT. Additionally, we submitted delinquent Accounts Receivables (AR) to them for collection.

Finding

1.2 County departments do not have departmental policies and procedures regarding collection of AR as required by IO 3-9.

MDT Response

MDT does have a written policy and procedure regarding collection of AR; however, the policy was not timely updated to reflect the adoption of IO 3-9 at the time of the Audit. The Department has updated the policy to incorporate IO 3-9.

We look forward to your review of this response and your final report. Should you need further clarification, please contact David Ritchey at 786-469-5190.

C: David Ritchey
Duane Mathis
Vivian Delgado

Memorandum




Date: March 6, 2014

To: Charles Anderson, CPA
Commission Auditor
Office of the Commission Auditor

From: John W. Renfrow, P.E.
Director
Miami-Dade Water and Sewer Department

Subject: Audit of Debt Collection Process: Miami-Dade County Final Draft for Management Review and Comments

Rec'd 3/11/2014



This memorandum is to confirm the Miami-Dade Water and Sewer Department's response submitted to the Office of Commission auditors on January 22, 2014 via email. The Department believes the email addressed the concerns raised in the audit report. Copies of the emails are attached for your information.

If we may be of further assistance, please contact Frances G. Morris, Assistant Director of Finance, at (786) 552-8104.

c: Lisa Martinez, Chief of Staff
Russell Benford, Deputy Mayor
Alina Hudak, Deputy Mayor/Interim Director, Public Works & Waste Management Department
Edward Marquez, Deputy Mayor/Finance Director
Chip Iglesias, Deputy Mayor
Jack Osterhold, Deputy Mayor/Director, Regulatory and Economic Resources Department
Blanca Padron, Deputy Director, Finance Department
Joseph A. Ruiz, Jr., Deputy Director, Miami-Dade Water & Sewer Department
L. Douglas Yoder, Deputy Director, Miami-Dade Water & Sewer Department

Carrazana, Luis (OCA)

From: Carrazana, Luis (OCA)
Sent: Wednesday, February 19, 2014 3:07 PM
To: Carrazana, Luis (OCA)
Subject: FW: Audit of Debt Collection Processes: Miami-Dade County - Final Draft for Management Review and Comments
Attachments: MOU WASD-FINANCE Collections.pdf; WASD-Payments on Write-off AR 2007 & Prior.xlsx; RE: Audit of Debt Collection Processes: Miami-Dade County - Final Draft for Management Review and Comments

From: Murad, Vladimir (WASD)
Sent: Wednesday, January 22, 2014 12:38 PM
To: Carrazana, Luis (OCA)
Cc: Morris, Frances G. (WASD); Barrios, Josephine (WASD)
Subject: FW: Audit of Debt Collection Processes: Miami-Dade County - Final Draft for Management Review and Comments

Luis,

As discussed, please note the following:

Finding 1. Non-compliance with Implementing Order 3-9

Response:

As of January 13, 2013, WASD secured a signed MOU (attachment 1).
All delinquent accounts are forwarded to FDCCS as required.

Finding 2. Departments did not track subsequent collections on amounts adjusted/written off on September 1, 2011 as directed by the BCC.

Except for MDAD, ASD and Vizcaya, information was not provided on subsequent collections from the AR adjusted/written off amounts at the September 1, 2011 BCC meeting through February 29, 2012.

Response:

WASD does perform collection efforts after an account has been written off. This is mainly enforced through the prevention of opening an account at WASD by a delinquent customer prior to making payment on outstanding balance(s). The 2nd attachment reflects monies collected, through February 2012, on accounts written off.

As discussed, WASD should not be listed in this finding since we did provide the information in the past. Please see the attached emails to the OCA and Finance.

Finding 3. FDCCS incentives require improvement.

Response:

Not applicable to WASD.

Finding 4. Code enforcement citations are not being actively collected by department.

Response:

WASD's code enforcement citations are related to tampering of WASD's facility(ies). Collection for tampering is made when an account is open/reactivated by a customer. Tampering charges are requested to be satisfied at the time a lien on a customer's account is being considered for payment.

WASD currently implemented a more robust enforcement/collection of its tampering charges. All tampering charges will be processed as a civil violation through the Clerk of Courts of Miami-Dade County (COC). Issuance of tapering violation(s) will be made through violation booklets issued by the COC. All payments for related violations are to be made to the COC. The COC will oversee all collections efforts going forward.

Finding 5. Significant problems exist in the ASD origination of citations' internal controls and data entry procedures.

Response:

Not applicable to WASD.

Vladimir Murad
Controller
Miami-Dade Water & Sewer Department
3071 SW 38 Avenue, Room 403
Miami, FL 33146
Office: 786-552-8002
muradv@miamidade.gov
"Delivering Excellence Every Day"

Memorandum



Date: October 9, 2012

To: Edward Marquez, Deputy Mayor
Office of the Mayor

From: *John W. Renfrow* John W. Renfrow, Director
Miami-Dade Water and Sewer Department

Subject: Memorandum of Understanding (MOU) for the Collection of delinquent accounts

To further comply with Implementing Order 3-9, Accounts Receivable Adjustments, attached for your signature, is the requested MOU coordinating and defining the parameters for collecting delinquent accounts for the Miami-Dade Water and Sewer Department by the Finance Department's Credit and Collection Section, organized under the Tax Collector's Division. In an effort to draft the attached agreement, staff from both departments coordinated through the County Attorney's Office to construct the document before you.

The MOU reinforces Miami-Dade Water and Sewer Department's commitment as the primary stakeholder responsible for the timely collection of debt. To that effect, through established policies and procedures, Miami-Dade Water and Sewer Department shall vigorously continue its collection efforts.

We look forward to maintaining our strong partnership and continuing professional growth with the Credit and Collection Section staff. Their efforts are greatly appreciated.

Attachment

cc: Joseph A. Ruiz, Miami-Dade Water & Sewer Department
Frances G. Morris, Miami-Dade Water & Sewer Department
Harold Concepcion, Miami-Dade Water & Sewer Department
Vladimir Murad, Miami-Dade Water & Sewer Department
Blanca Padron, Finance Department
Fernando Casamayor, Finance Department
Jurgen Teintze, Finance Department
Cristina Mekin, Finance Department

**INTERDEPARTMENTAL AGREEMENT BETWEEN
MIAMI-DADE WATER & SEWER DEPARTMENT AND
MIAMI-DADE COUNTY FINANCE DEPARTMENT
REGARDING CREDIT AND COLLECTION SERVICES**

THIS INTERDEPARTMENTAL AGREEMENT ("Agreement") is made and entered into this _____ day of _____, 2012, by and between the MIAMI-DADE WATER AND SEWER DEPARTMENT (WASD) and MIAMI-DADE COUNTY FINANCE DEPARTMENT (FINANCE).

WITNESSETH:

WHEREAS, WASD is desirous of obtaining an outlet for secondary placement for collection of delinquent accounts, and FINANCE has demonstrated that it is both qualified and experienced in the area of collections and is desirous of collecting said debt;

NOW THEREFORE, for and in consideration of the premises and mutual covenants herein contained, the parties hereto agree as follows:

**ARTICLE I
Accounts Referred**

WASD shall refer to FINANCE for collection, delinquent retail accounts and other accounts receivables (OAR) older than 120 days with a minimum outstanding balance of \$25.00. These referrals shall exclude the following accounts:

1. Bankruptcies.
2. Governmental.
3. Liens.
4. Payment arrangements.
5. Referrals made to the County Attorney's Office (CAO) for legal action. Typically, delinquent accounts greater than \$5,000 are remitted directly to the CAO for legal action. However, it is WASD's intent to have FINANCE initiate additional collection action on these accounts prior to submitting them to the CAO for legal action. If FINANCE is unable to make a full or partial collection on these delinquent account(s) 90 DAYS from the initial referral date, then the account(s) shall be returned to WASD and the parties will have no further obligation under this Agreement regarding the related account(s).

ARTICLE II
Responsibility of FINANCE

For each account or debt referred to FINANCE, FINANCE shall undertake the following:

1. Provide qualified and experienced personnel to perform collection services in a manner consistent with all federal, state and local laws.
2. Conduct collection activities in a manner, which will maximize collections on all referred accounts, including, but not limited to, using an outside agency to assist with collection, when declared a necessity by FINANCE.
3. Provide and assign FINANCE staff to perform the following:
 - A. Request from WASD additional information on referred accounts, if necessary.
 - B. Respond to Customer Service for walk-ins and telephone inquiries.
 - C. Present WASD with a current schedule of the collection fees charged by FINANCE to be added to the debtors' outstanding balance.
 - D. Provide collection services on any checks returned for insufficient funds accepted in payment of a referred account.
4. Accept electronic transfer of accounts via various media from WASD, in a manner convenient for WASD.
5. Prepare and provide to WASD the following management and financial reports:
 - A. **FINANCE will prepare a status report which will include the following information:** The account holder's name, the account address, WASD account number or invoice number, the termination of service date, the original account balance at the time of referral, the referral date, type of account, outstanding balance and current status. The report will be summarized and will show totals for the number of accounts referred, referral amount and the remaining balance on open accounts. Status Reports shall be submitted bi-yearly or upon request by WASD within ten (10) working days after the end of each six months period or when requested by WASD.
 - B. Along with the status report identified above, a separate single page invoice will be included. The invoice will contain remittance number(s), the gross amount collected, fees, disbursements, any reimbursements from debtors for fees and costs (as allowed by statutes) and the amount due to FINANCE. Attached to the invoice will be a check payable to WASD for the net amount due to WASD.

6. FINANCE shall have the authority to pursue a legal course of action when it is in the best interests of WASD.
7. FINANCE shall have the authority to negotiate for final settlement or compromise on an account without the prior specific written consent of WASD when the account balance or the amount of the compromise is \$5,000.00 or less. Requests from guarantors or their representatives for settlement of amounts greater than \$5,000.00 will require written approval of WASD. All settlements shall be made in compliance with Section 2-15 of the Miami Dade County Code. It is understood that WASD will use its best efforts to respond promptly to FINANCE with respect to any request for settlement approval made in connection with this Paragraph. FINANCE will forward written requests for such authorization to WASD's contact personnel as identified in Article X below.
8. Obtain from WASD, those delinquent accounts that are ready for referral.
9. FINANCE shall have the authority to negotiate a payment plan when it is in the best interests of WASD. The payment plan must be in writing and signed by the account holder or guarantor. FINANCE agrees it will follow-up to assure that the terms of the Agreement are met and take legal action, when necessary. Finance shall notify WASD of payment plan entered into.
10. Designate a FINANCE Contact person responsible for all matters relating to this Agreement. See Article X for specific designation information.
11. Remit all funds collected as a result of this Agreement in net amounts to WASD. Net amount shall mean if collection payment is made to FINANCE, they will deduct their fees.
12. If FINANCE has knowledge that an account holder filed a petition for bankruptcy or WASD has sent written notification to FINANCE that an account holder filed a petition for bankruptcy, FINANCE shall immediately cease all collection efforts against the account holder until FINANCE receives further written direction from WASD.
13. If FINANCE closes an account and returns that account to WASD along with the collections documents, the parties shall have no further obligation under this Agreement regarding that account. The account will be treated as a "retired account", non-active account, subject to write-off, if applicable.

ARTICLE III
Responsibility of WASD

WASD Shall:

1. Provide FINANCE with the account number or invoice number, outstanding balance, type of account, termination of service date, and all information in WASD's file identifying the account holder, including name, last known address, phone number, and social security number/federal tax identification number, whenever available.
2. Provide backup documents to FINANCE, as needed, verifying all debts due by referred account.
3. Exercise sole discretion to determine which accounts will be referred, in accordance with Article I of this Agreement. WASD shall be responsible for notifying FINANCE when accounts are ready for transfer.
4. Designate a WASD Contact person responsible for all matters relating to this Agreement.
5. Provide information to FINANCE on payments received, on accounts referred to FINANCE, at WASD offices or those of its affiliates.
6. Collect and remit the fees charged by FINANCE to delinquent account holders from the customers paying their accounts at WASD as a result of FINANCE's collection efforts.
7. Remit the fees charged by FINANCE, if any, along with the compensation fee on paid referred delinquent accounts resulting from collection efforts as described in Article II.
8. Prepare and submit the write-off of delinquent accounts receivable when the accounts qualify to be included in the write-off following the referral to FINANCE in accordance with Implementing Order 3-9.

ARTICLE IV
Term of Agreement

This Agreement will be in force for the fiscal year ending on September 30, 2013 and shall automatically renew for a one-year period unless cancelled or terminated by either party as provided for in Article VI, Paragraph 1.

ARTICLE V
Compensation

FINANCE shall be compensated twenty-five percent (25%) of the collected portion of the referred delinquent account(s) that were not cancelled and/or recalled by WASD and any additional fees, if any, added by FINANCE.

No other remuneration or compensation shall be paid to FINANCE unless FINANCE obtains advance written approval and authorization from WASD.

ARTICLE VI
Termination of Agreement

1. Either party shall have the right to terminate this Agreement without stated cause upon sixty (60) days advance written notice to the other party. If the Agreement is terminated, WASD will require FINANCE to complete its work on all accounts referred prior to time of said termination.
2. WASD shall continue to honor the fee schedule to FINANCE, as indicated in Article V, for up to five (5) years from the termination date for accounts that may be on a payment plan at the time of termination.
3. All reports listed in Article II will be produced thirty (30) days from the date of termination. All reports required from FINANCE under Article II, Paragraph 5, will be due as indicated in this Agreement for as long as there is financial activity on any accounts that FINANCE is pursuing even after termination of this Agreement.
4. After termination of this Agreement, FINANCE is entitled to retain all accounts being pursued through a court proceeding until the account is paid in full, is recalled, or all terms of an outstanding settlement agreement or payment arrangement have been fulfilled.

ARTICLE VII
Approval

When approvals are necessary to execute respective provisions of this Agreement, FINANCE shall communicate with the WASD Contact person and shall provide any information as required by the WASD Contact person in order to reach a decision on whether an approval will be given. If approval is given, FINANCE will send WASD, within three (3) working days, an original and a copy of a signed letter summarizing relevant facts. If approved, WASD's Contact person will sign the copy and return it to FINANCE.

ARTICLE VIII
Entirety of Agreement

This writing embodies the entire Agreement and understanding between the parties hereto. There are no other Agreements or understandings, oral or written, with reference to the subject matter hereof, that are not merged herein and superseded hereby.

ARTICLE IX
Confidentiality

FINANCE shall, to the extent allowed by the Florida Public Records Law, keep all information concerning the individual accounts confidential and will only disclose such information to such parties as may be required for the collection of the account. FINANCE agrees to comply with all federal, state and local laws protecting the privacy of the accounts. If a Public Records request is made to FINANCE with regards to any WASD-related accounts or materials pursuant to Chapter 119, Florida Statutes, FINANCE shall coordinate with WASD's Contact person within five (5) business days on a response to the Public Records request.

ARTICLE X
Liaison and Notice

FINANCE's Contact person for this Agreement shall be FINANCE's Manager of the Credit & Collection Section or designee.

WASD's Contact person for this Agreement shall be the Collections Unit Supervisor or designee for retail accounts and the Special Collections Manager or designee for other accounts receivable (OAR).

Unless amended in writing, all written notices required under the terms and conditions of this Agreement, unless specifically provided otherwise in this Agreement, shall be directed to each party at their respective addresses as follows:

FINANCE: Miami-Dade County Finance Department
Credit & Collection Section
140 West Flagler Street – Suite 1107
Miami, Florida 33130
(786) 469-2807

WASD: Miami-Dade Water and Sewer Department
Controller Division
3071 S.W. 38th Ave.
Miami, Florida 33146
(786) 552-8002

WASD: Miami-Dade Water and Sewer Department
Retail Customer Service Division
3071 S.W. 38th Ave.
Miami, Florida 33146
(786) 552-8539

Any disputes, misunderstandings or questions regarding this Agreement shall be resolved by the Director of FINANCE and by the Director of WASD or their respective superiors.

ARTICLE XI
Books and Records

FINANCE's books and records, concerning the accounts referred by WASD for collection, must be made available for inspection and audit within three (3) days of written notice from WASD. All records pertaining to this Agreement must be retained by WASD for twelve (12) months following the expiration of this Agreement or its continuation provisions, or as otherwise provided by law, whichever is longer.

ARTICLE XII
Cancel / Recall

It is understood that WASD reserves the right, for any reason and regardless of the state of processing, to cancel and/or recall any account referred to FINANCE. In such event, WASD shall notify FINANCE via e-mail specifying the account(s) involved and the reason for cancelling and/or recalling the referred account. WASD shall not pay the fee provided in Article V of this Agreement for any account(s) cancelled and/or recalled under this Article.

ARTICLE XIII
Exclusivity

FINANCE will have exclusive right to collect on a referred delinquent account(s) from the referral date unless cancelled and/or recalled by the WASD. FINANCE reserves the right to close an account(s) and return that account(s) to WASD, having no further obligation under this Agreement regarding that account(s).

ARTICLE XIV
Modifications

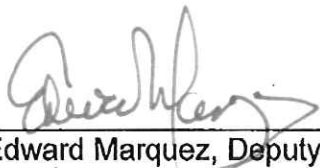
This Agreement may be changed, altered, or modified with the written mutual consent of the parties listed below.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

FOR THE MIAMI-DADE WATER AND SEWER DEPARTMENT

By:  10-1-12
John W. Renfrow, P.E., Director Date

FOR THE MIAMI-DADE COUNTY FINANCE DEPARTMENT

By:  1/13/13
Edward Marquez, Deputy Mayor Date

Miami-Dade Water & Sewer Department
Payments Received related to FY2007 and prior Write-Off A/R

	Net Payments Received		Total
	Retail	Other (Non-Retail)	
FY 2006 Total	51,711.19		51,711.19
FY 2007 Total	74,203.96	37,659.49	111,863.45
FY 2008 Total	78,481.69		78,481.69
FY 2009 Total	148,576.91		148,576.91
FY 2010 Total	240,392.89		240,392.89
FY 2011 Total	301,159.63		301,159.63
FY 2012 Total (through Feb. 2012)	163,095.34		163,095.34
Total Write Off Payments	1,057,621.61	37,659.49	1,095,281.10

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